Application Proof of

AESO HOLDING LIMITED
艾碩控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Exchange**")/the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor, advisers or member of the underwriting syndicate that:

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(b) the publication of this document or supplemental, revised or replacement pages on the Exchange's website does not give rise to any obligation of the Company, its sponsor, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

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(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

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(k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

If you are in any doubt *about any of the contents of this document, you should seek independent professional advice.*

AESO HOLDING LIMITED
艾碩控股有限公司

(incorporated in the Cayman Islands with limited liability)

[REDACTED] ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF [REDACTED]

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

Sponsor

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

[REDACTED] and [REDACTED]

[REDACTED]

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A copy of this document, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection – Documents available for inspection" in Appendix VI to this document, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any of the other documents referred to above.

The **[REDACTED]** is currently expected to be fixed by an agreement between the Company and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) on the **[REDACTED]** Determination Date, which is scheduled on or about **[REDACTED]** 2016, or such later date as may be agreed between the Company and the **[REDACTED]** (also in its capacity as the **[REDACTED]**). If the **[REDACTED]** (also in its capacity as the **[REDACTED]**) and the Company are unable to reach an agreement on the **[REDACTED]** on **[REDACTED]** 2016 (or such later time and/or date as agreed by the Company and the **[REDACTED]** (also in its capacity as the **[REDACTED]**), the **[REDACTED]** will not become unconditional and will lapse immediately.

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

Prospective investors of the **[REDACTED]** should note that the obligations of the **[REDACTED]** under the **[REDACTED]** Agreement are subject to termination by the **[REDACTED]** (also in its capacity as the **[REDACTED]**) upon the occurrence of any of the events set forth in "Underwriting – **[REDACTED]** and expenses – Grounds for termination" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the **[REDACTED]**. Please refer to "Underwriting" in this document for further details of these termination provisions.

CHARACTERISTICS OF GEM

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

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

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

EXPECTED TIMETABLE *(Note 1)*

[REDACTED]

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*You should rely only on the information contained in this document to make your investment decision. The Company, the Sponsor and the **[REDACTED]** (also in its capacity as the **[REDACTED]**) have not authorised any persons to provide you with information that is different from what is contained in this document. Any information or representation not made nor contained in this document must not be relied on by you as having been authorised by the Company, the Sponsor, the **[REDACTED]** (also in its capacity as the **[REDACTED]**), any of their respective directors or affiliates of any of them, or any other persons or parties involved in the **[REDACTED]**. The contents on the Company's website at www.aeso.hk do not form part of this document.*

CONTENTS

*This summary aims to give you an overview of the information contained in this document. As it 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 "Risk Factors" in this document. You should read that section carefully before you decide to invest in the **[REDACTED]**.*

OVERVIEW

The Group is principally engaged in the provision of fitting-out and renovation (alteration and addition) contracting services of Hong Kong premises.

The Group undertakes (i) fitting-out work for construction of newly built commercial premises and residential developments (the "**Fitting-out Projects**") either as a main contractor or nominated subcontractor; and (ii) renovation (including alteration and addition) work for existing commercial premises (the "**Renovation Projects**") as a main contractor.

BUSINESS MODEL

In respect of either the Fitting-out Projects or the Renovation Projects, the Group is responsible for the overall implementation of the projects according to the required scope of work, which generally includes planning, coordination, monitoring and supervision for the whole construction period until completion. We manage the cost, time and quality of the project through the management of subcontractors, material and equipment procurement. The Group generally does not directly employ the site labour force on projects but engages subcontractors to perform the site work, including site work requiring relevant qualifications or licences, which is in line with the market practice. The Group has its in-house team of experienced staff with extensive project management experience and engineering knowledge with the capability to deliver quality work in conformity with the client's expectation and the prescribed timeframe. The in-house team facilitates the smooth progress of the projects by managing daily matters that arise during the course of the projects. The Group also offers interior design as a value-added service to its clients on a case-by-case basis. A brief description of the main services provided by the Group is as follows:

Fitting-out Projects	:	We plan, coordinate, monitor and supervise the completion of the fitting-out work for Fitting-out Projects. Fitting-out work is the process of making interior space suitable for occupation, which generally includes partitioning work, steel and metal work, woodwork, marble work, stone work, plastering and painting work, electrical, plumbing and drainage installation work. In all Fitting-out Projects, our fitting-out subcontractors are responsible for the supply of labour for installation work.

Renovation Projects	:	We plan, coordinate, monitor and supervise the completion of renovation (including alteration and addition) work for Renovation Projects. Renovation work includes the restoration, upgrade or improvement of the general condition of the facilities. Alteration and addition work includes the demolition work, concrete strengthening, structural steel, reinforced concrete work, new cladding, glazing and the Building Services. In some Renovation Projects, our renovation work includes engagement of subcontractors who are RGBC responsible for supervision and monitoring of the structural alteration and addition work.

We adopt a cost plus pricing model for our projects taking in a number of factors including the nature of work involved, our costs, terms of tender documents, our capacity and historic and current fee levels.

Revenue from a project mainly represents the contracting fee income, while the major costs of a project incurred by us include subcontracting charges charged by subcontractors and costs of materials required for the performance of the work.

Development and milestones

Our history can be traced back to 2008 when Aeso Limited was founded by Mr. Chan, our executive Director, chairman and chief executive officer. As our first project, we acted as a contractor for a member of a well known Hong Kong property group, to undertake renovation work for a yacht and country club and a four-star hotel in Hong Kong. Since then, we have acted as contractor for property developers in Fitting-out Projects and Renovation Projects and also acted as a nominated subcontractor nominated by property developers as subcontractor of the main contractor in Fitting-out Projects. In 2012, we acted as a contractor for a Hong Kong government authority to undertake renovation work for its information centre located in the second tallest building in Hong Kong. In the same year, we were awarded the China's Most Successful Design Awards in a design competition organised by Successful Design Organisation (www.SuccessfulDesign.org) for two of our projects with interior design service provided by us for one of the largest energy suppliers in Hong Kong.

As at the Latest Practicable Date, we were admitted to the tenderers lists of 12 listed property developers, four of which are constituent stocks of the Hang Seng Index representing 40% of all listed property developers of the Hang Seng Index.

CLIENTS AND SUPPLIERS

For Fitting-out Projects, our clients mainly include property developers and main contractors which were instructed by property developers to appoint us as nominated subcontractor for fitting-out work for commercial premises and residential developments. For Renovation Projects our clients mainly include property developers, landlords, government authority, international retail brand and renowned local retailer for renovation work and alteration and addition work for commercial premises, including hotels, grade A-office premises and shops.

The Group's top five clients accounted for approximately 95.7% and 91.0% of its total revenue for the years ended 31 March 2015 and 2016, respectively, while approximately 63.1% and 25.3% of the Group's total revenue were attributable to its largest client for each of the two years ended 31 March 2015 and 2016, respectively. According to the Frost & Sullivan Report, high client concentration of listed property developers and large contract sums is the mainstream in industry. It is not uncommon for a single project, whether Fitting-out Projects or Renovation Projects, to have a large contract sum such that a small number of projects from property developers can contribute to a substantial amount of revenue for the Group. Despite the concentration of clients, the Directors consider that the Group's business is sustainable for reasons set out in "Business – Client – Client concentration" in this document.

During the Track Record Period, all of the Group's new businesses were obtained through direct invitation for tender or quotation by clients, which is considered by the Directors to be attributable to its track records, relevant experience and professional reputation in the fitting-out and renovation industry in Hong Kong. The success rates in attaining engagement for projects tendered and quoted were 14.3% and 11.4% (in terms of number of projects tendered) for the two years ended 31 March 2015 and 2016, respectively and 15.3% and 9.3% (in terms of tendered amount) for the two years ended 31 March 2015 and 2016, respectively. Please refer to "Business – Sales and marketing" in this document for further details.

Our suppliers mainly include subcontractors engaged by the Group to perform the site work and materials suppliers to supply materials used in the site work. For each of the two years ended 31 March 2015 and 2016, the percentage of cost of services attributable to the largest supplier amounted to approximately 16.8% and 13.3%, respectively, while the percentage of cost of services attributable to the five largest suppliers (which comprises our subcontractors) combined amounted to approximately 35.4% and 44.1%, respectively. Accordingly, the Directors consider that during the Track Record Period, the Group was not dependent on any single supplier.

MARKET AND COMPETITION

The fitting out and renovation industry in Hong Kong is fragmented and highly competitive with a number of low-to-mid sized service providers in Hong Kong focusing on individual business sector and some are offering fitting-out and renovation work to retail and residential building sectors. On the other hand, there are middle-to-high end players like the Group which offers integrated contracting services to the property developers, main contractors, corporates and government authority who generally participate in large-scale projects involving commercial buildings and residential developments. Please refer to "Industry Overview – Competitive landscape" in this document for further details regarding the competitive landscape of the industry in which the Group operates.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from the competitors: (i) an established track record in our market with stable and long-term client relationships with our major clients that include listed property developers; (ii) strong and stable relationships with our major suppliers and subcontractors; (iii) integrated project execution for contracting services; and (iv) a strong and experienced management team with proven track record. Please refer to "Business – Competitive Strengths" in this document for further details.

BUSINESS STRATEGIES

The Group's goals are to achieve sustainable growth in current business and to further strengthen its overall competitiveness in providing contracting services in Hong Kong. We intend to achieve our business strategies by implementing the following strategies: (i) further developing the Group's contracting business; (ii) further expanding our capacity to cope with future business opportunities; and (iii) further strengthening the Group's in-house team. Please refer to "Business – Strategies" in this document for further details.

SUMMARY OF FINANCIAL INFORMATION

The following tables summarised the consolidated financial information of the Group during the Track Record Period, which are extracted from the Accountant's Report set out in Appendix I to this document. The summary financial data should be read in conjunction with the consolidated financial information in the Accountant's Report set out in Appendix I to this document.

Highlights of the consolidated statements of profit or loss and comprehensive income

	For the year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Revenue	81,661	180,391
Cost of services	(66,936)	(148,757)
Gross profit	14,725	31,634
Other income	15	13
Other gains and losses	–	764
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**
Administrative expenses	(8,844)	(12,290)
Finance costs	(234)	(705)
Profit before tax	5,662	17,003
Income tax expense	(914)	(3,281)
Profit and total comprehensive income for the year	4,748	13,722

Revenue

The following table sets out a breakdown of the Group's revenue by the Fitting-out Projects and Renovation Projects during the Track Record Period:

	For the year ended 31 March			
	2015		2016	
	HK$'000	*%*	*HK$'000*	*%*
Fitting-out Projects	19,300	23.6	63,879	35.4
Renovation Projects	62,361	76.4	116,512	64.6
	81,661	100.0	180,391	100.0

Gross profit and gross profit margin

The following table sets out a breakdown of the gross profit and gross profit margin during the Track Record Period by the Fitting-out Projects and Renovation Projects:

	For the year ended 31 March			
	2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*
Fitting-out Projects	3,127	16.2	10,822	16.9
Renovation Projects	11,598	18.6	20,812	17.9
	14,725	18.0	31,634	17.5

Please refer to "Financial Information" in this document for a discussion of the fluctuation of the Group's revenue and gross profit margin during the Track Record Period.

Highlights of the consolidated statements of financial position

	As at 31 March		As at 30 April
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Current assets	54,836	53,067	63,130
Current liabilities	39,633	30,230	22,514
Non-current assets	2,327	626	640
Non-current liabilities	1,084	44	44
Total equity	16,446	23,419	41,212

Highlights of the consolidated statements of cash flows

	For the year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Net cash (used in)/from operating activities	(19,244)	28,700
Net cash used in investing activities	(1,996)	(2,910)
Net cash used in financing activities	(1,627)	(786)
Net (decrease)/increase in cash and cash equivalents	(22,867)	25,004
Cash and cash equivalent at the beginning of the year	7,489	(15,378)
Cash and cash equivalent at the end of the year	(15,378)	9,626

Please refer to "Financial Information – Liquidity and Capital Resources – Cash Flows" in this document for further details about our cash positions.

Key Financial Ratios

	For the year ended/ As at 31 March	
	2015	**2016**
Return on total assets[(1)]	8.3%	25.6%
Return on equity[(2)]	28.9%	58.6%
Net profit margin[(3)]	5.8%	7.6%
Current ratio[(4)]	1.4 times	1.8 times
Gearing ratio[(5)]	1.2 times	0.2 times
Interest coverage[(6)]	25.2 times	25.1 times

Notes:

1. Return on total assets is calculated based on the profit for the year divided by the total assets as at the end of the year.

2. Return on equity is calculated based on the profit for the year divided by total equity at the end of the year.

3. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective period and multiplied by 100%.

4. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective reporting date.

5. Gearing ratio is calculated based on the total debts divided by total equity as at the respective reporting date. Total debts include all interest-bearing loans and obligations under finance leases.

6. Interest coverage is calculated by the profit before interest and tax divided by the finance cost for the respective period.

Please refer to "Financial Information – Key Financial Ratios" in this document for further details.

SHAREHOLDERS INFORMATION

Immediately following completion of the **[REDACTED]** and the Capitalisation Issue, each of Mr. Chan, Mr. Liu, Acropolis Limited and W & Q Investment will control more than 30% of the Company's issued share capital. Acropolis Limited and W & Q Investment are each wholly-owned by Mr. Chan, respectively. For the purposes of the GEM Listing Rules, Mr. Chan, Mr. Liu, Acropolis Limited and W & Q Investment are our Controlling Shareholders. Please refer to "Relationship with Controlling Shareholders" in this document for further details.

Pre-[REDACTED] Investment

Pursuant to the Subscription Agreements entered into among W & Q Investment, Acropolis Limited and the Company, W & Q Investment agreed to invest in the Group by subscribing 4,900 Shares for an aggregate consideration of HK$19,913,600. Following the Pre-**[REDACTED]** Investment, the Company was beneficially owned as to 51% and 49% by Acropolis Limited and W & Q Investment, respectively. The proceeds from the Pre-**[REDACTED]** Investment has been and will be applied towards the Reorganisation, settlement of part of the **[REDACTED]** expenses, business development working capital and other corporate purposes of the Group. The background of the pre-**[REDACTED]** investor and the details of the Pre-**[REDACTED]** Investment are set out in "History, Development and Reorganisation — History and development — Pre-**[REDACTED]** investment" in this document. The Directors believe that Mr. Liu, as a shareholder of the Company, will bring strategic benefits to the Company, both in the short and longer term, by (i) offering advice to the Group in preparation for the **[REDACTED]** based on his experience gained from other investment portfolios; (ii) providing immediate funding for the **[REDACTED]** expenses and additional working capital for the Group's operation; (iii) providing advice on optimising the existing banking and loan facilities arrangement of the Group based on his own bank connections; and (iv) assisting in expanding our business and broadening our customer base by introducing new potential clients to the Group.

[REDACTED] STATISTICS

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

Notes:

1. The calculation of the market capitalisation of the Shares is based on the respective **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]** and **[REDACTED]** Shares in issue immediately after completion of the Capitalisation Issue and the **[REDACTED]**, but takes no account of any Share which may fall to be allotted and issued pursuant to the general mandate for the allotment and issue

of Shares or any Shares which may be repurchased by our Company pursuant to the general mandate for repurchase of Shares referred to in "Statutory and General Information – Further information about the Company – 3. Written Resolutions of the Shareholders to be passed" in Appendix V to this document.

2. This calculation has taken into account of the allotment and issue of 4,900 Shares subscribed by W & Q Investment on 8 April 2016 pursuant to the Pre-**[REDACTED]** Investment. Please refer to Note 5 of "Unaudited Pro Forma Financial Information A. Unaudited pro forma statement of adjusted consolidated net tangible assets" in Appendix II to this document for details.

REASONS FOR AND BENEFITS OF THE [REDACTED] AND THE [REDACTED]

The Directors believe that the **[REDACTED]** is beneficial to the Company and its Shareholders as a whole for the following reasons: (i) to strengthen our cashflow position to pursue more new projects; (ii) to expand our capacity to undertake more projects; (iii) to strengthen our financial position as well as having a platform for continuous fund raising; (iv) to enable the Group to further enhance its sustainability; (v) to support the growth of our business and increase our competitiveness in the fitting-out and renovation industry; and (vi) to achieve a broader Shareholder base. Please refer to "Business – Reasons for and benefits of the **[REDACTED]** and the **[REDACTED]**" in this document for further details.

USE OF PROCEEDS

We estimate the gross proceeds from the **[REDACTED]** based on the **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range, will be HK$**[REDACTED]**. After deducting underwriting commission and related expenses of HK**[REDACTED]**, the net proceeds will be approximately HK$**[REDACTED]**. The Directors presently intend to apply such net proceeds as follows:

Approximate amount of net proceeds	Utilised by year ending	Intended applications
HK$**[REDACTED]** or approximate **[REDACTED]**%	31 March 2018	The undertaking of more projects and the provision of security for surety bonds
HK$**[REDACTED]** or approximate **[REDACTED]**%	31 March 2017	Acquisition of premises in Chai Wan or Aberdeen as our warehouse and showroom
HK$**[REDACTED]** or approximate **[REDACTED]**%	31 March 2019	Expansion of the Hong Kong office
HK$**[REDACTED]** or approximate **[REDACTED]**%	31 March 2017	Decoration of the Hong Kong office
HK$**[REDACTED]** or approximate **[REDACTED]**%	31 March 2017	Purchase of motor vehicles
HK$**[REDACTED]** or approximate **[REDACTED]**%	31 March 2018	Further strengthening the Group's in- house team
HK$**[REDACTED]** or approximate **[REDACTED]**%	31 March 2018	General working capital and other general corporate purposes of the Group

Please refer to "Statement of Business Objectives and Use of Proceeds" of this document for further details.

[REDACTED] EXPENSES

The total amount of **[REDACTED]** expenses in connection with the **[REDACTED]** is estimated to be approximately HK$**[REDACTED]**, of which HK$**[REDACTED]** is to be capitalised (i.e. accounted for as deduction from equity). The remaining HK$**[REDACTED]** in fees and expenses has been or is expected to be charged to the consolidated statements of profit or loss and other comprehensive income, of which HK$**[REDACTED]** were charged for the year ended 31 March 2016 and HK$**[REDACTED]** will be recognised as expenses during the year ending 31 March 2017, respectively. Accordingly, the financial results of the Group for the year ending 31 March 2017 are expected to be affected by the estimated expenses in relation to the **[REDACTED]**. Such **[REDACTED]** expenses are a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 March 2017 and the amount to be deducted from the Group's capital are subject to change.

The **[REDACTED]** expenses will be settled partly by internal funding and proceeds from Pre-**[REDACTED]** Investment, of which HK$**[REDACTED]** has been settled during the Track Record Period.

DIVIDENDS

The Group declared and paid dividends of HK$5.0 million and HK$6.8 million in the two years ended 31 March 2015 and 31 March 2016, respectively.

The Company currently does not have a dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare any in the future would depend upon the following factors: (i) the Group's financial results; (ii) general business conditions, strategies and future expansion needs; (iii) the Group's capital requirements; (iv) the liquidity and financial position of the Group; and (v) other factors as the Board may consider relevant.

The dividend distribution in the past may not be used as a reference or basis to determine the level of dividend that may be declared or paid by the Group in the future.

PRINCIPAL RISK FACTORS

There are certain risks involved in our operations which are beyond our control. They can be broadly categorised into risks relating to our business and risks relating to the industry in which we operate. Potential investors are advised to read "Risk factors" in this document carefully before making any investment decision in the Company. Some of the more particular risk factors include: (i) the Group's business is project-based. The types of projects we carry out will vary and, in turn, our revenue mix may vary from time to time. Fee collection and profit margin depend on the terms of the work contract and may not be regular; (ii) the Group may achieve lower-than-expected profits or losses on the projects if it fails to accurately estimate and control the project costs or rectifications for material defective works are required during the defect liability period of the projects; (iii) the Group's turnover is derived substantially from non-recurring projects and the amount of turnover the Group could derive therefrom depends on the volume of business secured, which may vary from period to period; (iv) the Group is reliant on the availability of Fitting-out Projects and Renovation Projects in Hong Kong; and (v) financial resources required to undertake projects for the contracting business.

RECENT DEVELOPMENTS

As at the Latest Practicable Date, the Group had a total of four projects in progress and three completed projects with revenue to be recognised for the year ending 31 March 2017 amounting to approximately HK$105.0 million. Please refer to "Business – Projects in progress and completed projects with revenue recognised after the Track Record Period" in this document for further details.

Save for the **[REDACTED]** expenses, the Group did not have any significant non-recurring items in its consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period.

Based on the unaudited management accounts of the Group, the net current assets of the Group as at 30 April 2016 were approximately HK$40.6 million. As at 30 April 2016, approximately 21.2% of the outstanding receivables as at 31 March 2016 has been subsequently settled and approximately 48.4% of the outstanding payables as at 31 March 2016 has been subsequently settled.

MATERIAL ADVERSE CHANGE

The Directors confirmed that up to the Latest Practicable Date, there had been no material adverse change in the financial or trading positions or prospect of the Group since 31 March 2016 (being the date of which the Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this document) and there had been no event since 31 March 2016 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

LITIGATION AND REGULATORY COMPLIANCE

The Directors confirm that, as at the Latest Practicable Date, the Group did not receive any notices for any fines or penalties for any non-compliance that is material and systemic, and the Group had complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed in this document, no member of the Group was engaged in any litigation or arbitration and no claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group that would have a material adverse effect on our business, results of operations or financial condition. The Directors confirm that to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, during the Track Record Period and up to the Latest Practicable Date, the Group was involved in one material claim as a defendant, involving a legal claim by a subcontractor's employee, against the Group in the capacity as a main contractor. The Directors consider that this claim will have no material adverse impact on the Group. In February 2016, the Group has commenced legal proceedings against two subcontractors in the High Court of Hong Kong and District Court of Hong Kong, respectively seeking, *inter alia*, damages and loss for breach of contracts for an aggregate sum of approximately HK$8.5 million. Please refer to "Business-Litigation and claims" in this document for further details.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Acropolis Limited"	Acropolis Limited, a BVI company incorporated in the BVI with limited liability on 16 December 2015 and one of the Controlling Shareholders, which is wholly owned by Mr. Chan
"Aeschylus Limited"	Aeschylus Limited, a BVI company incorporated in the BVI with limited liability on 16 December 2015, which is a direct wholly-owned subsidiary of the Company and the intermediate holding company of the Group upon completion of the Reorganisation
"Aeso Limited"	Aeso Limited, a company incorporated in Hong Kong with limited liability on 17 January 2008, which is a company formerly and wholly owned by Mr. Chan before the Reorganisation, and the indirect wholly-owned subsidiary of the Company after Reorganisation
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company to be conditionally adopted by the Company which shall become effective upon commencement of trading of the Shares on GEM and as amended from time to time, a summary of which is set out in Appendix IV to this document
"Baker Tilly"	Baker Tilly Hong Kong Risk Assurance Limited, the internal control consultant of the Group
"Board"	the board of Directors
"Buildings Ordinance"	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of **[REDACTED]** Shares upon capitalisation of part of the share premium account of the Company referred to in "Statutory and General Information – A. Further information about the Company – 3. Written resolutions of the Shareholders to be passed" in Appendix V to this document

"Cayman Company Law"	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Aeso Holding Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 10 December 2015
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules and in the context of this document, refers to Mr. Chan, Acropolis Limited, Mr. Liu and W & Q Investment
"Deed of Indemnity"	the deed of indemnity to be provided by the Controlling Shareholders in favour of the Group relating to, among other matters, the tax liabilities of the Group as referred to in "Statutory and General Information – H. Other information – 4. Tax and other indemnities" in Appendix V to this document
"Director(s)"	the director(s) of the Company
"GEM"	the Growth Enterprise Market of the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Government"	the Government of Hong Kong
"Group"	the Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the business operated by such subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a subsidiary of Hong Kong Exchanges and Clearing Limited
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	**[REDACTED]**
"Independent Third Party(ies)"	any party who is not connected (within the meaning of the GEM Listing Rules) with any director, chief executive or substantial shareholder of the Company or any of its respective subsidiaries or an associate of them
"Latest Practicable Date"	20 June 2016, being the latest practicable date prior to the printing of this document for ascertaining certain information referred to in this document
"**[REDACTED]**" or "**[REDACTED]**"	**[REDACTED]**
"Legal Counsel"	Ms. Bonnie V.Y. Tam, barrister-at-law of Hong Kong, who is an Independent Third Party

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Listing Division"	the Listing Division of the Stock Exchange
"Litigation Counsel"	Ms. Priscilia T.Y. Lam, barrister-at-law of Hong Kong, who is an Independent Third Party
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of the Company to be adopted, as amended from time to time
"Minor Works Regulation"	the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Mr. Chan"	Mr. Chan Siu Chung, an executive Director and one of the Controlling Shareholders
"Mr. Liu"	Mr. Liu Chang Kien, one of the Controlling Shareholders
"Non-competition Deed"	the deed of non-competition to be given by the Controlling Shareholders in favour of the Company (for itself and as trustee for our subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in "Relationship with the Controlling Shareholders – Non-competition deed" in this document
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
"Pre-**[REDACTED]** Investment"	the investment in the Group made by Mr. Liu through W & Q Investment, details of which are set out in "History, Development and Reorganisation – Pre-**[REDACTED]** Investment" in this document
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Reorganisation"	the reorganisation of the Group for the purpose of the **[REDACTED]** as described in "History, Development and Reorganisation – Reorganisation" and "Statutory and General Information – E. Corporate reorganisation" in Appendix V to this document
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of US$1.00 each in the issued and unissued share capital of the Company prior to the subdivision of shares took place on 23 June 2016 and ordinary share(s) of US$0.01 each in the share capital of the Company upon completion of the said subdivision
"Shareholder(s)"	holder(s) of the Share(s)
"Sponsor"	Anglo Chinese Corporate Finance, Limited, the sponsor of the Company for the **[REDACTED]**, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreements"	the share subscription and shareholders agreement dated 21 March 2016 and its supplemental agreement dated 22 April 2016, entered into among W & Q Investment, Acropolis Limited and the Company in relation to the Pre-**[REDACTED]** Investment, details of which are set out in "History, Development and Reorganisation – Pre-**[REDACTED]** Investment" in this document
"Takeovers Code"	The Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
"Track Record Period"	the two years ended 31 March 2015 and 2016
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"W & Q Investment"	W & Q Investment Limited, a BVI business company incorporated in the BVI with limited liability on 29 January 2016 and one of the Controlling Shareholders, which is wholly owned by Mr. Liu
"m^2" or "sq.m."	square metre
"sq.ft."	square feet
"%"	per cent.

In this document:

- "our", "we" and "us" refer to the Group; and
- the term "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the GEM Listing Rules, under the context otherwise requires.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this document in connection with the Group and the Group's business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

"Authorised Signatory"	a person appointed by a registered contractor for the purposes of the Buildings Ordinance for a registered contractor
"Building Authority"	means the Director of Buildings as defined under Section 2 of the Buildings Ordinance
"Building Services"	installation work of the building related systems, including (i) electrical installation, (ii) mechanical ventilation and air-conditioning, (iii) fire services installation, and (iv) plumbing and drainage installation.
"RGBC"	Registered General Building Contractor, a person whose name is on the register of general building contractor maintained under section 8A of the Building Ordinance, who is qualified to carry our any building works and street works which are not designated by the Building Authority as a category of specialised work
"RMWC(Co)"	Registered Minor Works Contractor (Company) (Class I, II and III), a person whose name is on the register or provisional register of minor works contractors maintained under Section 8A of Buildings Ordinance who is permitted to carry out the Minor Works belonging to the class, type and item specified in the register in which it is registered
"Minor Works"	small-scale building works include 126 items such as alteration and addition works, repair works, works relating to signboards, drainage works, works relating to structures for amenities, finishes works and demolition works designated as minor works based on the specifications set out in the Minor Works Regulation, which can be carried out without the prior approval and comment from the buildings department pursuant to relevant regulations
"surety bond"	a bond issued by a bank or an insurer to guarantee the satisfactory completion of a project by a contractor such that if the contractor fails to perform according to requirements in the contract, the contractor's client is guaranteed compensation for any monetary loss up to the amount of the surety bond
"Technical Director"	a director authorised by the board of directors for the purposes ensuring the building works are carried out in accordance with the Buildings Ordinance

The Company has included in this document forward-looking statements that are not historical facts, but relate to the Group's intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in "Summary", "Risk Factors", "Industry Overview", "Business" and "Financial Information" in this document, which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "might", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" or similar expressions or their negatives. These forward-looking statements include, without limitation, statements relating to:

- the Group's business objectives, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of the Group's business;
- the Group's operation and business prospects;
- the Group's dividend policy;
- the regulatory environment of the Group's industry in general;
- the future development and trends in the Group's industry; and
- risks identified under "Risk factors" in this document.

The Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the Group's control. In addition, these forward-looking statements reflect the Group's current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under "Risk Factors" in this document.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. The Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. The Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to these cautionary statements.

Potential investors should consider carefully all the information set out in this document and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in the Company before making any investment decision in the Shares. The Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. 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 THE GROUP'S BUSINESS

The Group's business is project-based. The types of projects we carry out will vary and, in turn, our revenue mix may vary from time to time. Fee collection and profit margin depend on the terms of the work contract and may not be regular

The Group's business is project-based. The Group's projects, being the fitting-out and renovation (including alteration and addition) contracting services for Hong Kong premises, cover a diversity of properties, and during the Track Record Period, the types of properties covered by our projects include hotels, grade A office premises and shops. The development needs of these properties may be affected by different external factors which are beyond the Group's control, such as changes of client preferences. Accordingly, the revenue mix of the Group generated by the types of projects may vary from time to time.

The Group recorded an overall gross profit margin of approximately 18.0% and 17.5% for the years ended 31 March 2015 and 2016, respectively. The gross profit margin of the Group's fitting-out contracting services was approximately 16.2% and 16.9% for the years ended 31 March 2015 and 2016, respectively and the gross profit margin of the Group's renovation (including alteration and addition) contracting services was approximately 18.6% and 17.9% for the years ended 31 March 2015 and 2016, respectively. Please refer to "Financial Information – Gross profit" in this document for further details.

Fee collection from our clients and profit margins of our projects significantly depend on various factors, such as the proposed expenditure of the clients, the terms of the work contracts, the length of the contract period, the efficiency of implementation of the contract works and the general market conditions. As a result, the income flow of the Group's business is irregular and is subject to various factors beyond the control of the Group. As such, there can be no assurance that the profitability of a project can be maintained or estimated at any particular level. Furthermore, the fee collection by the Group, the profit margin and time for profit recognition depend on the terms of the work contracts and may also not be regular.

At the end of each accounting period, our accounting and finance team reviews the status of each project and recognises revenue based on the stage of completion of the contract at that particular point of time measured by the value of the proportion of work carried out. Our accounting and finance team would review the amount of revenue recognised in earlier stages, and make necessary adjustments accordingly, if any. If the adjustment is material, it may have material adverse impact to the reported financial performance of the Group.

The Group may achieve lower-than-expected profits or losses on the projects if it fails to accurately estimate and control the project costs or rectifications for material defective works are required during the defect liability period of the projects

Most of the Group's turnover is derived from fixed-price contracts, with prices being determined by reference to the Group's tender submissions or quotations and substantially agreed to at the time a contract is awarded. The Group needs to estimate the time and costs involved in a project in order to determine the tender price or quotation price. Particularly, subcontractor cost is one of the major components of the project costs. However, the Group may fail to accurately estimate the costs to complete a project. The actual amount of total costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials, which may result in material deviation in the actual time and resources spent from initial estimation.

A defect liability period for both the Group's fitting-out and renovation (including alteration and addition) contracting services is generally 12 months from the date of the certificate of practical completion. During the defect liability period, the Group is responsible, at its own expenses, for rectifying any defects of works carried out by the Group. Any rectifications for material defects carried out by the Group could lead to additional costs being incurred, which may result in cost overrun, and thus the profitability of the projects may be reduced or the Group may even incur losses on the projects.

If the costs for a project exceed the contracted price or the Group has to carry out any rectifications for material defects during the defect liability period of the projects, the Group may incur losses, which could materially and adversely affect the Group's financial condition and results of operations.

The Group's turnover is derived substantially from non-recurring projects and the amount of turnover the Group could derive therefrom depends on the volume of business secured, which may vary from period to period

The Group's turnover is derived substantially from projects which are non-recurring in nature. The Group is in most occasions engaged by its clients on a project-by-project basis, therefore there is no guarantee that the Group will be able to secure new business from existing clients. Depending on the number of projects that the Group can secure, the amount of turnover the Group is able to derive therefrom may vary significantly from period to period. Accordingly, it is difficult to accurately predict the volume of future business. If the Group is unable to secure business from the existing clients or develop business relationships with any new clients, the Group's business, financial condition and results of operations could be materially and adversely affected.

The Group is reliant on the availability of Fitting-out Projects and Renovation Projects in Hong Kong

The Group's business performance is generally affected by the number and availability of Fitting-out Projects and Renovation Projects in Hong Kong, which in turn are affected by various factors, including but not limited to, the general economic conditions in Hong Kong, changes in government policies relating to Hong Kong property market, the general conditions of Hong Kong property market, and the amount of investment in the construction of new developments and improvement of existing buildings. Unfavourable changes in these factors may result in a significant decrease in the number of Fitting-out Projects and Renovation Projects available in Hong Kong in general. For instance, an economic downturn, an outbreak of epidemic disease, and/or adverse government policies in respect of the Hong Kong property market may lead to a significant decline in the number of construction projects and maintenance of buildings and/or facilities in Hong Kong, thereby resulting in a decline in the number of Fitting-out Projects and Renovation Projects available. There is no assurance that the number of Fitting-out Projects and Renovation Projects in Hong Kong will not decrease in the future. In the event that the availability of contracting works decreases as a result of a decrease in the number of construction and maintenance projects in Hong Kong, the Group's business in general and the results of operations may be adversely and materially affected.

Financial resources required to undertake projects for the contracting business

The aggregate number and size of projects that the Group is able to undertake in the contracting business hinges on the amount of the Group's available working capital because there are often time lags between making payments to the subcontractors and suppliers and materials receiving payments from the clients. The Group makes progress payment application to clients for contracting services we provided based on the amount of work completed. Such application, however, is subject to examination by clients or their consultants. It generally takes around seven to 45 days for clients to certify the amount of works eligible for payment under the application. The Group can only proceed to invoice clients upon receipt of such certificate. For the years ended 31 March 2015 and 2016, the account receivable turnover days of the Group were approximately 58 days and 27 days, respectively. On the other hand, credit terms offered by the Group's suppliers generally range from payment on presentation of invoice to payment within 30 days after delivery of goods or performance of services, with account payable turnover days for the years ended 31 March 2015 and 2016 being approximately 56 days and 28 days, respectively. In the event that the Group fails to receive payments from its clients on a timely basis, the Group's cash flows and financial performance could be affected adversely and materially.

The Group generally pays the materials suppliers at the early stage of the projects. For the subcontractors, if the Group chooses to pay them only after receiving payments from the clients, the Group will risk its reputation for making payments in a timely manner, which could affect its ability to engage capable and quality subcontractors for the contracting business in the future. In addition, some projects undertaken by the Group may involve the provision of surety bonds, which require the use of a substantial amount of the Group's cash resources. Failure to obtain sufficient financial resources required to undertake projects for the contracting business in the future may have material adverse impact to the operation and profitability of the Group.

Further, the Group expects that the project execution and the continued development of the business in the future will require significant capital. There is no assurance that the Group can obtain the required capital through equity or debt financing on acceptable terms or to generate sufficient cash flow from operations to meet the cash requirements. Furthermore, the capital requirements may vary materially from those currently planned. Failure to obtain additional capital on acceptable terms may delay or prevent the expansion of the Group's business or force it to forego project opportunities which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group may incur penalties and additional costs caused by project delays, which may in turn affect the payments schedule and adversely impact the Group's business and reputation

The Group is typically required to complete each project according to a fixed schedule as stated in the relevant contracts. However, projects may be delayed due to various factors that are beyond the Group's control, including weather conditions, availability of sufficient labour force, regulatory approval processes, government requirements, construction risk such as fire and the suspension of water and electricity supplies, and other factors. If the Group fails to complete a project within the timeframe as agreed in the relevant contract in breach of its contractual obligations, it may be liable to compensate the client for losses or damages caused by the delay. Any delay in the completion of a project, whether or not caused by the Group, could also lead to additional costs being incurred, including costs to engage additional subcontractors as the Group may have to subsequently accelerate work progress in order to catch up with the scheduled time for completion. As the Group typically receives payment in stages based on project progress, any delay in the course of a project may postpone the receipt of anticipated payments which could have a material adverse effect on the Group's cashflow position. Moreover, any failure on the Group's part to complete a project on time could harm the Group's reputation in the industry and affect the Group's tenders for future contracts. As a result, the Group's reputation, business and financial condition could be materially and adversely affected.

Changes in subcontracting charges and the availability and performance of the Group's subcontractors may adversely affect the Group's operations and profitability

The Group generally engages subcontractors to perform most of the site works. Subcontracting charges are mainly affected by the complexity of the projects, prices of materials and wages. For the years ended 31 March 2015 and 2016, subcontracting charges incurred by the Group amounted to approximately HK$43.4 million and HK$112.0 million, respectively, representing approximately 64.8% and 75.3% of the cost of services, respectively. Any substantial increase in subcontracting charges incurred by the Group in the future may have a significant impact on the gross profit margin.

The Group is responsible for the work performed by the subcontractors. It is important for the Group to engage suitable subcontractors as the requirements and specifications varies from project to project. If the works performed by the subcontractors do not meet the requirements of the project, the Group's operations and financial position may also be adversely affected.

Our profit may be substantially reduced if there are changes in our materials costs after tendering.

Our materials costs represent a significant portion of our cost of services. During the Track Record Period, our material costs amounted to approximately HK7.8 million and HK$13.6 million, respectively and accounted for approximately 11.7% and 9.1% of our cost of services, respectively. We prepare our tender and quotation based on our estimated project costs (which include materials costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential clients but the actual materials costs will not be determined until after we have entered into agreements with our clients. Any fluctuations in the materials costs during this period will affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's materials costs on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in materials costs		**+5%**	**+10%**	**-5%**	**-10%**
	Profit before tax per Accountants' Report	**Change in profit before tax**			
Change in profit before tax	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015	5,662	-391	-782	+391	+782
Year ended 31 March 2016	17,003	-678	-1,357	+678	+1,357
	Profit after tax per Accountants' Report	**Change in profit after tax**			
Change in profit after tax	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015	4,748	-326	-653	+326	+653
Year ended 31 March 2016	13,722	-566	-1,133	+566	+1,133

Any claims or legal proceedings to which the Group may become a party may have a material and adverse impact on the business

The Group may be subject to claims for personal injury and property damage arising in connection with the Group's projects. The Group may also become involved in proceedings relating to, among other things, warranty, indemnification or liability claims, contractual disputes with clients or subcontractors, labour disputes, workers' compensation, and safety, environmental or other legal requirements. In September 2015, an employee of the Group's subcontractor filed a claim against the Group for employee's compensation claim and personal injuries claim and the Group was jointed as a defendant in the capacity as a main contractor. In February 2016, the Group has commenced legal proceedings against two subcontractors in the High Court of Hong Kong and District Court of Hong Kong, respectively seeking, *inter alia*, damages and loss for breach of contracts for an aggregate sum of approximately HK$8.5 million. Please refer to "Business – Litigations and claims" in this document for further details. Legal proceedings can be time-consuming, expensive, and may divert management's attention away from the operations of business. Any claims or legal proceedings to which the Group may become a party in the future may have a material and adverse impact on the business and should the Group be liable to pay compensation fines or damages, its financial position will also be adversely affected.

The Group's top five clients accounted for a substantial portion of revenue

The Group's top five clients accounted for approximately 95.7% and 91.0% of the total revenue for the years ended 31 March 2015 and 2016, respectively. In particular, approximately 63.1% and 25.3% of the Group's total revenue were attributable to its largest client for the years ended 31 March 2015 and 2016, respectively. As a result, it is critical for us to maintain close and mutually beneficial relationships with our major clients. The top five clients are not obliged in any way to continue to provide the Group with new business in the future at a level similar to that in the past or at all. If any of these top clients were to substantially reduce the volume of works and/or the value of new contracts to the Group or to terminate the business relationship with the Group entirely, there can be no assurance that the Group would be able to secure new businesses from other clients for replacement. If any, would be on commercially comparable terms. As such, the Group's operations and financial performance could be adversely affected.

There is no assurance that we will succeed in the tender process

Our major contracts are generally obtained through the tender process with the tender document specifying the general terms of the contract to be entered into between us and the clients as well as the necessary requirements of the tender. During the Track Record Period, contracts with all of our top five clients were obtained through competitive tendering. Our tender success rates (in terms of tendered amount) were approximately 15.3% and 9.3% for the years ended 31 March 2015 and 2016, respectively. Our tender success rate (in terms of number of projects tendered) were approximately 14.3% and 11.4% for the years ended 31 March 2015 and 2016, respectively.

As new businesses are mostly obtained through tender invitation by clients, the Directors believe that client relationship is important and we seldom do not respond to invitations to tender from repeated clients or prospective clients when we receive invitations from them. During the Track Record Period, the duration of projects generally ranges from six to 18 months. Given limitation to our resources, we have adopted a strategy to raise our tender price when we anticipate shortage in capacity in handling new projects. We believe that our success rate for tender decreased for the year ended 31 March 2016 due to the increase in tender price to less competitive level following our shortage in capacity. We continued to submit for new tenders invited by clients with an aim to maintain a good relationship with them. Further, we have been actively participating in submitting tenders initiated by new clients if the projects match with our scope of services. As a result, there was no significant reduction in the number of tenders submitted during the Track Record Period.

There is no guarantee that in the future, we will succeed in the tender process or maintaining comparable tender success rates. In addition, as far as the Directors are aware, most of our clients have maintained an evaluation system for their tenders to ensure that contractors meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. For instance, if a contractor that is responsible for a construction site receives a poor safety performance review or an accident occurs on its responsible site, it may lead to a poor evaluation and this may affect its success rate for future tenders. In serious cases, the contractor's qualifications may be suspended and during this suspension period, it may be prohibited from tendering for works requiring such qualification. There is no assurance that our overall score under the evaluation system of our clients will not be reduced. In case of such events, we may not succeed in the tender process and furthermore, our reputation, business operations, financial results and profitability may be adversely affected.

A failure to receive progress payment on time and in full, or that retention money is not fully released to us after expiry of the defect liability period, may affect our liquidity positions

The Group issues invoice to clients for works completed and certified, or achieved predetermined milestones. The Group's clients may also be subject to their respective credit risks and to the financial risks of their development projects not being able to proceed according to budget, or being delayed or terminated. As a result, the Group may encounter difficulties in collecting payments from clients who are having financial difficulties or delayed projects. The collection process is often time-consuming and administratively cumbersome. The Group cannot assure that the clients in the future will not default in, or delay, their payment obligations. In the event that the Group's clients default in all or a substantial portion of their payment obligations to the Group, the Group's financial condition may be materially and adversely affected.

Further, payments may be delayed if there is a substantial delay in the examination process or dispute as to the works performed by us. During the course of the projects, our clients may require additional services or move changes to the design or specifications and provide us with variation orders. As the fees for variation orders are not covered in the original contract sum, the fees involved will need to be assessed by or negotiated with our clients generally during various stages of the project. We may receive payments on part of the amount during the course of project but in the event that we disagree with the clients on such fees, our results of operations, liquidity and financial position may still be adversely affected.

In addition, clients are generally entitled to hold up retention monies in the range of 5% to 10% of each progress payment, with the total amount of retention monies withheld rapped at 5% of the total contract sum to secure the Group's performance. Such retention monies are generally released as to 50% upon the issuance of practical completion certificate and as to the remaining 50% upon issuance of certificate of making good defects at the end of the defect liability period.

We generally offer an average credit period of 30 days to our clients for both Fitting-out Projects and Renovation Projects. As at 31 March 2015 and 31 March 2016, the account receivables balances of the Group were approximately HK$17.7 million and HK$8.8 million, respectively. For the years ended 31 March 2015 and 31 March 2016, the account receivables turnover days were approximately 58 days and 27 days, respectively. For the years ended 31 March 2015 and 31 March 2016, the retention receivables of the Group were approximately HK$7.8 million and HK$10.9 million, respectively. There can be no assurance that the clients will settle the invoices in a timely manner and in full or that retention money will be released to the Group by the clients in accordance with the contract terms after project completion. Any difficulty in collecting a substantial portion of the account receivables or retention receivables could materially and adversely affect the Group's cash flows and financial positions.

During the Track Record Period, we have not encountered any material delay in progress payment and retention money by our clients. However, there can be no assurance that such payments will be made on time by our clients in the future. Any failure by our clients to make payment to us on a timely manner may have an adverse effect on our future liquidity position.

Shortage in skilled workers engaged by the subcontractors and increase in labour costs could increase our operational cost and affect our profitability

We rely on our subcontractors in providing a range of services to complete our projects. Suitable subcontractors may not always be readily available when we require their services. For any given project, workers from different trades with different skills may be required, and competition for qualified personnel is substantial and labour costs have been increasing generally. There is no assurance that the supply of labour will always be stable or our subcontractors can retain or attract sufficient workers on commercially reasonable terms, or at all. Our ability to complete projects could be impaired if we are unable to hire suitable subcontractors or our subcontractors fail to recruit sufficient labour in a timely manner to cope with the demand of our projects. In the event that our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to meet the demand of our existing or future projects, or there is a significant increase in costs of labour, we may not be able to complete our projects on schedule or within budget and our operations and profitability may be adversely affected.

The Group is exposed to environmental liability

The Group's operations are subject to a variety of environmental laws and regulations in Hong Kong. There are also standards imposed by environmental laws and regulations in respect of air pollution control, noise control and waste disposal to which the Group is subject. Please refer to "Regulatory Overview" in Appendix III to this document for a more detailed discussion of these laws, regulations and standards. Failure by the Group to comply with environmental laws and regulations could cause delays in expansion plans, affect the Group's public image and seriously harm the Group's business. In addition, failure to comply with these laws and regulations could subject the Group to substantial fines, clean-up costs and environmental liabilities or even suspension of operations which could materially and adversely affect the operating results and prospects of the Group.

Failure to renew the Group's existing tenancy agreements or increases in rental expenses may adversely affect the Group's operation and financial performance

As at the Latest Practicable Date, the Group leased two properties in Hong Kong for general office use. All of the existing tenancy agreements we have entered into will expire before 31 May 2018. Please refer to "Business – Properties" in this document for further details. Operating lease rentals in respect of office premises remained at HK$1.1 million for the years ended 31 March 2015 and 2016, respectively. In the event that the Group fails to renew its existing tenancy agreements and locate new premises at comparable rental rate, or such renewals are subject to considerable increase in rents, the Group's operation and financial performance may be adversely affected.

The past revenue and profit margin may not be indicative of the Group's future revenue and profit margin

For the years ended 31 March 2015 and 2016, the Group's revenue amounted to approximately HK$81.7 million and HK$180.4 million, respectively; the Group's gross profit amounted to approximately HK$14.7 million and HK$31.6 million, respectively (representing gross profit margin of approximately 18.0% and 17.5%, respectively); while the Group's net profit amounted to approximately HK$4.7 million and HK$13.7 million, respectively (representing net profit margin of approximately 5.8% and 7.6%, respectively). However, such trend of historical financial information of the Group is a mere analysis of the past performance only and may not necessarily reflect the financial performance of the Group in the future. The future performance of the Group will depend on, among other things, the ability to secure new businesses and to control the costs and will be subject to risk factors set out in this section. Profit margins may fluctuate from project to project due to factors such as the accuracy of the estimation of the Group's costs when committing to the amount of fees and the complexity of the project. There is no assurance that the Group's historical revenue and profit margins in the future will be maintained.

The Group is dependent on key personnel and in-house professional staff and there is no assurance that the Group can retain them

The Directors believe that the Group's success is largely attributable to, among other things, the contribution of each of the executive Directors and members of the senior management team. Details of their expertise and experience are set out in "Directors and senior management" in this document. Their experience in the contracting and consultancy industry in Hong Kong and other corresponding expertise are also important to the Group's operations and financial performance.

As at the Latest Practicable Date, the Group has an in-house team of 29 staff, of which 11 staff with over 10 years experience in contracting services, excluding Mr. Chan. The Group relies on its in-house team of experienced staff for the execution of the contracting services and the team is responsible for tendering, project planning and management, manpower and resources allocation and work supervision.

There could be an adverse impact on the Group's operations should any of the executive Directors terminate his service agreement with the Group or otherwise cease to serve the Group and appropriate replacement could not be found. Further, if any of the Group's experienced staff leave the Group, the Group may not be able to identify and recruit members with adequate qualification and experience to replace the departed staff in a timely manner. In such circumstances, progress of the Group's projects could be delayed while the Group's capacity to undertake projects could be impaired, and the Group's operations could be adversely affected. There is no assurance that the Group will be able to attract and retain capable staff or that they will not resign in the future.

The business strategy of the Group may not be successful or be achieved within the expected time frame or within the estimated budget

The Group intends to implement the business strategies set out in "Business - Strategies" in this document. However, the Group's business strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that the Group will be able to successfully maintain or increase the market share or grow the business successfully after deploying the Group's management and financial resources. Any failure in maintaining the Group's current market position or implementing the Group's business strategies could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's financial performance is expected to be affected by the Group's [REDACTED] expenses

The Group's financial results for the year ending 31 March 2017 will be affected by the non-recurring expenses in relation to the **[REDACTED]**. Whether or not the **[REDACTED]** eventually occurs, a portion of the **[REDACTED]** expenses will be incurred and recognised as expenses, which will reduce the Group's net profit and therefore negatively affect the Group's future financial performance. The total amount of **[REDACTED]** expenses in connection with the **[REDACTED]** is estimated to be approximately HK$**[REDACTED]**, of which HK$**[REDACTED]** is to be capitalised (i.e. accounted for as deduction from equity). The remaining HK$**[REDACTED]** in fees and expenses has been or is expected to be charged to the consolidated statements of profit or loss and other comprehensive income, of which HK$**[REDACTED]** were charged for the year ended 31 March 2016 and HK$**[REDACTED]** will be recognised as expenses during the year ending 31 March 2017, respectively. We expect that expenses in relation to the **[REDACTED]** which are non-recurring in nature will materially affect our financial performance and results of operations for the year ending 31 March 2017. In addition, if the **[REDACTED]** were to be postponed due to market conditions, additional **[REDACTED]** expenses would be incurred for future listing plan and would further reduce the Group's future net profit. As a result, the Group's business, financial condition, operating results and prospect would be adversely affected.

The Group may fail to maintain its reputation and this can adversely affect the Group's business, financial condition and results of operations

Reputation that the Group has built up over the years play a significant role in retaining and attracting clients and securing projects. During the Track Record Period, most of the projects were obtained through direct invitation for tendering or quotation by clients. Whether or not the Group can maintain or promote its reputation depend largely on whether the Group provides quality and timely service to clients. The reputation of the Group could be adversely affected if the clients no longer perceive products and services of the Group to be of a high quality. This will in turn negatively affect the Group's business, financial condition and results of operations.

The Group may not be able to completely prevent or deter fraud or other misconduct which may be committed by the Group's employees or third parties

The Group's employees or third parties may commit fraud or other misconduct. There is no assurance that such acts, which could subject the Group to financial losses and harm its business and operations, can be completely prevented or deterred despite robust internal controls and corporate governance practices. In addition to potential financial losses, improper acts of its employees or third parties could subject the Group to third party claims and regulatory investigations. Any such fraud or other misconduct committed against the Group, whether involving past acts or future acts, could have an adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to certain type of liabilities that are generally not insured and our insurance policies may not be sufficient to cover liabilities arising from claims and litigation. The insurance premium payable by the Group may be increased

The Group is not insured against certain types of liabilities, such as liabilities arising from acts of God or other natural disasters, because they are either uninsurable or not cost justifiable to be insured against. In the event that an uninsured liability arises, the Group may suffer losses which may adversely affect our financial position.

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

Extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks could significantly delay, or even prevent the Group from completing, the Group's projects

The Group's operations are subject to uncertainties and contingencies, such as epidemics, natural disasters, fire, adverse weather conditions, political unrest, wars and terrorist attacks, which are beyond control. These extraordinary events could result in material disruptions in the operations of the Group and adversely affect the Group's business. Any such events could cause the Group to reduce or halt its operations, adversely affect the Group's business operation, increase the costs and/or prevent completion of the projects, any one of which could materially and adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO THE INDUSTRY

The construction industry in Hong Kong has been facing the problem of rising costs, including the costs of construction workers and construction materials

The construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. The average wage of construction workers in Hong Kong keeps increasing. This is mainly due to the growing construction industry in Hong Kong and the shortage of experienced and skillful labour as a number of skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry. In addition, the costs of construction materials have also demonstrated a general increasing trend over the past few years. The general increases in construction material prices are affected by, among other factors, the strong construction demand. The potential increase in the cost of construction workers and construction materials could materially and adversely affect the Group's business operations and financial conditions.

Carrying out fitting-out and renovation (including alteration and addition) works requires compliance of applicable laws, regulations and requirements

As a contracting service provider, in order to perform our business operation, we have to procure our subcontractors to, comply with a number of construction, safety, building and environmental protection laws, regulations and requirements in Hong Kong. In the event that our sub contractors fail to meet the applicable construction, safety, environmental protection laws, regulations and requirements, we or our sub contractors may be subject to fines or required to make remedial measures which may in turn have an adverse effect on the operations and financial condition of the Group. In addition, there is no assurance that the construction, safety, environmental protection and other applicable laws, regulations and requirements will not be changed in the future. Should there be any change to the construction, safety, environmental protection and other applicable laws, regulations and requirements applicable to us or our subcontractors, we may incur additional cost in complying with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect the profitability of the Group.

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

In the course of operations, the Group requires its employees to comply with and implement all the safety measures and procedures as stipulated in its in-house rules. Nevertheless, there is no assurance that there will not be any violation of the Group's safety measures or other related rules and regulations by the employees of the Group or its 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 the Group's business operations as well as financial position to the extent not covered by insurance policies. In addition, the Company is exposed to claims by workers hired by the subcontractors. Please refer to "Business – Litigations and claims" in this document for further details.

The Group operates in a competitive industry

The fitting-out and renovation industry in Hong Kong has a number of participants and is competitive. New participants could enter the industry if they have the appropriate skills, local experience, necessary machinery and capital and/or are granted the requisite licences by the relevant regulatory bodies. The Group faces competition from other contractors or new comers in the submission of tender for construction contracts who are able to offer services of higher quality at lower prices. Increased competition may lead to lower profit margins and loss of market share, and adversely impact the Group's profitability and operating results.

RISKS RELATING TO HONG KONG

The general economy conditions in Hong Kong may affect our business and financial positions

The Group's performance and financial position is heavily dependent on the state of economy in Hong Kong as all our revenue is generated from the Hong Kong market during the Track Record Period. In the event that there is a downturn in the economy of Hong Kong, the Group's results of operations and financial position may be severely affected.

The state of political environment in Hong Kong may affect our business and financial positions

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" according to the Basic Law of Hong Kong. However, the Group is not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy as currently in place at the moment. Since our primary operations are substantially located in Hong Kong, any change of such political arrangements may post immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and financial positions.

RISKS RELATING TO THE [REDACTED]

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

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

Investor may experience dilution if the Company issues additional Shares in the future

The Company may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in the Company may be reduced and may result in a dilution in the earnings per Share and net asset value per Shares. In addition, such new securities may confer rights and privileges that take priority over those conferred by the **[REDACTED]**.

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

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the **[REDACTED]**. The Group cannot predict the effect, if any, of any future sales of the Shares by any of its Controlling Shareholders, or that the availability of the Shares offered by any of the Controlling Shareholders for purchase may have on the market price of the

Shares. Sales of a substantial number of Shares by any of its Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Historical dividends are not indicative of future dividends and there is no assurance that we will pay dividends in the future

The Group's operating subsidiary, Aeso Limited, has declared a final dividend of HK$5.0 million and HK$6.8 million in respect of the two years ended 31 March 2015 and 2016, respectively. Investors should not use such historical dividends as a reference or basis to determine the level of dividends that may be declared and paid by the Company in future. There is no assurance that dividends in the amount similar to or exceeding historical dividends or at all will be declared. The declaration, payment and amount of any future dividends are subject to the discretion of the Board, having considered factors including the Group's earnings, financial condition, cash requirements, applicable laws and other relevant factors. Please refer to "Financial Information – Dividend and dividend policy" in this document.

RISKS RELATING TO THIS DOCUMENT

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

Certain facts, statistics, and data presented in "Industry Overview" and elsewhere in this document relating to the industry in which the Group's operation have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. The Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and the Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, the Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither the Group, the Directors, the Sponsor, the **[REDACTED]** (also in its capacity as the **[REDACTED]**), their respective affiliates or advisers nor any parties involved in the **[REDACTED]** have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

The future results could differ materially from those expressed or implied by the forward-looking statements

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

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

Prior to the publication of this document, there may be press or other media, which contains certain information referring to the Group and the **[REDACTED]** that is not set out in this document. The Company wishes to emphasise to potential investors that neither the Company nor any of the Sponsor, the **[REDACTED]** (also in its capacity as the **[REDACTED]**), the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "**Professional Parties**") involved in the **[REDACTED]** has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by the Company or any of the Professional Parties. Neither the Company nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this document or is inconsistent or conflicts with the information contained in this document, the Company disclaims any responsibility, liability whatsoever in connection therewith or resulting therefrom.

Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the **[REDACTED]**. You should rely only on the information contained in this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Chan Siu Ching (陳少忠)	Flat A, 3rd Floor Manly Mansion 69B Robinson Road Mid-levels Hong Kong	Chinese
Mr. Cheung Hiu Tung (張曉東)	Flat Q, 5th Floor Cheong Yuen Building 1 Yen Chow Street Kowloon Hong Kong	Chinese
Non-executive Directors		
Miss. Zhang Qi (張琪)	Room 1922, Building E Harbourfront Horizon 8 Hung Luen Road Hung Hom Kowloon Hong Kong	Chinese
Mr. Law Wing Kit (羅永傑)	Flat E, 25th Floor, Tower 7 The Long Beach 8 Hoi Fai Road Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. Lee Chi Chung (李子聰)	Flat A, 3rd Floor, Tower 2 Meridian Hill 81 Broadcast Drive Kowloon Tong Hong Kong	Chinese
Mr. Or Chun Man (柯浚文)	Flat C, 40th Floor, Tower 6 Sky Tower 38 Sung Wong Toi Road To Kwa Wan Kowloon Hong Kong	Chinese

Mr. Leung Ka Kui, Johnny (梁家駒)	Flat 57, 5th Floor, Block 3 Middleton Towers 140 Pok Fu Lam Road Hong Kong	Chinese

For further information on the profile and background of the Directors, please refer to "Directors and senior management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sponsor	**Anglo Chinese Corporate Finance, Limited** 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
[REDACTED], [REDACTED] and [REDACTED]	**[REDACTED]**
Legal advisers to the Company	*As to Hong Kong law* **Peter Yuen & Associates** **(in association with Fangda Partners)** *Solicitors, Hong Kong* 26th Floor, One Exchange Square 8 Connaught Place Central Hong Kong *As to Cayman Islands Law* **Harney Westwood & Riegels** *Cayman Islands attorneys-at-law* Room 3601, Two Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Sponsor [and [REDACTED]]	*As to Hong Kong law* **Stephenson Harwood** *Solicitors, Hong Kong* 18/F United Centre 95 Queensway Hong Kong

Reporting accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Industry consultant	**Frost & Sullivan Limited** Unit 08, 26th Floor 9 Queen's Road Central Hong Kong
Internal control consultant	**Baker Tilly Hong Kong Risk Assurance Limited** 2nd Floor, 625 King's Road North Point Hong Kong

CORPORATE INFORMATION

Registered office	4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman, KY1-1002 Cayman Islands
Head office and principal place of business in Hong Kong	18th Floor, The Pemberton 22-26 Bonham Strand Sheung Wan Hong Kong
Company's website	www.aeso.hk *(information of this website does not form part of this document)*
Company secretary	Mr. Ng Yu Ho (吳宇豪) *(HKICPA)* Flat A, Floor 21, Block 1, Aqua Marine 8 Sham Shing Road, Cheung Sha Wan, Kowloon
Authorised representatives *(for the purpose of the GEM Listing Rules)*	Mr. Chan Siu Chung (陳少忠) Flat A, 3rd Floor, Manly Mansion 69B Robinson Road Mid-levels Hong Kong Mr. Ng Yu Ho (吳宇豪) *(HKICPA)* Flat A, Floor 21, Block 1, Aquai Marine 8 Sham Shing Road, Cheung Sha Wan, Kowloon
Compliance officer	Mr. Chan Siu Chung (陳少忠)
Audit and risk management committee	Mr. Or Chun Man (柯浚文) *(Chairman)* Mr. Lee Chi Chung (李子驄) Mr. Leung Ka Kui, Johnny (梁家駒)
Remuneration committee	Mr. Lee Chi Chung (李子驄) *(Chairman)* Mr. Or Chun Man (柯浚文) Mr. Leung Ka Kui, Johnny (梁家駒)

CORPORATE INFORMATION

Nomination committee	Mr. Chan Siu Chung (陳少忠) *(Chairman)* Mr. Lee Chi Chung (李子聰) Mr. Leung Ka Kui, Johnny (梁家駒)
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
Principal bankers	**Bank of East Asia, Limited** 10 Des Voeux Road Central Hong Kong **The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong
Compliance adviser	**Anglo Chinese Corporate Finance, Limited** *(a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)* 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong

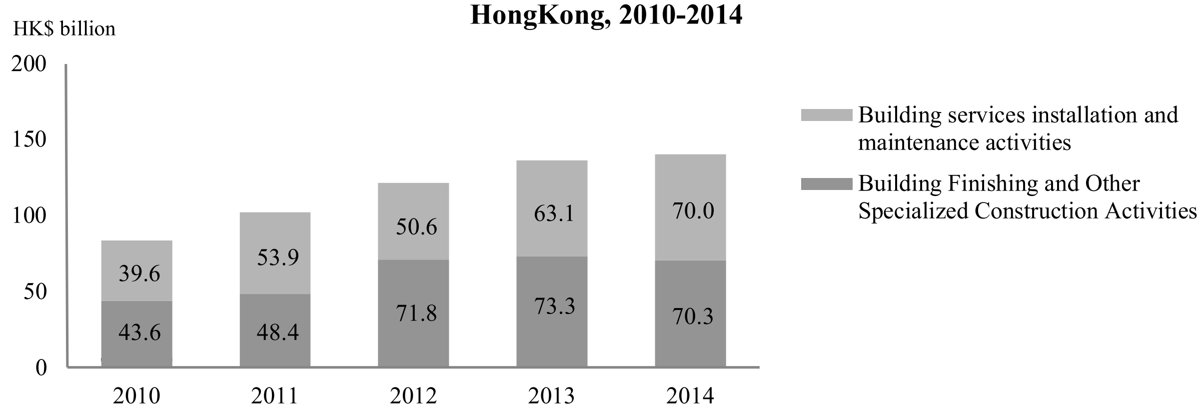
The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sponsor, the ***[REDACTED]****, the* ***[REDACTED]****, or any of our or their respective directors, officers or representatives or any other person involved in the* ***[REDACTED]*** *nor is any representation given as to its accuracy or completeness. Accordingly, you should not place undue reliance on such information or statistics.*

FITTING-OUT, RENOVATION, ALTERATION AND ADDITION WORKS INDUSTRY IN HONG KONG

The Gross Value of Construction Works Performed

The gross value of construction works performed for building services installation and maintenance activities registered a robust growth from 2010 to 2014. The healthy development of the overall construction industry over past a few years has led to an optimistic future evaluation for the fitting-out, renovation, alteration and addition works industry in Hong Kong. Generally, fitting-out, renovation, alteration and addition works could enjoy the growth from building services installation and maintenance activities.

The Gross Value of Construction Works Performed and Detailed Breakdown, HongKong, 2010-2014



Source: Census and Statistics Department of Hong Kong SAR, Frost & Sullivan

CHARACTERISTICS OF THE FITTING-OUT, RENOVATION, ALTERATION AND ADDITION WORKS INDUSTRY

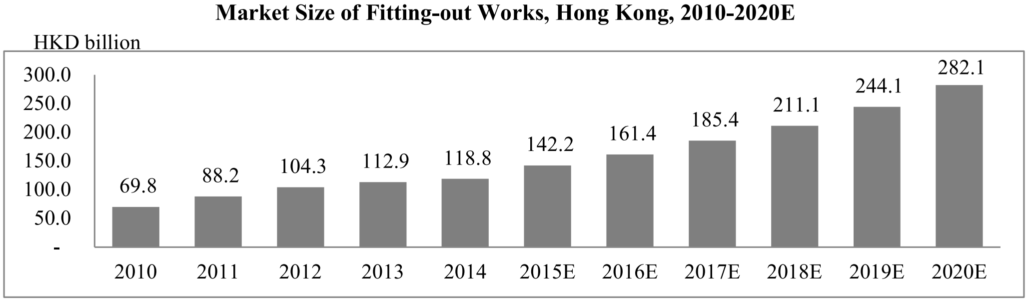
In fitting-out, renovation, and alteration and addition works industry, it is common to outsource most of the procedures, but with high requirements such as license, qualification, funding ability and etc. The Group is capable of outsource most of the procedures, which makes it an asset-light company with low operational risk.

MARKET SIZE OF THE FITTING-OUT, RENOVATION, ALTERATION AND ADDITION WORKS INDUSTRY

Market Size of the Fitting-out Works in Hong Kong

The estimated market size of fitting-out works in Hong Kong increased from HK$69.8 billion in 2010 to HK$118.8 billion in 2014, representing a CAGR of 14.2%, primarily due to the continuous expansion of the construction market. With the slowdown in the increase of new building construction numbers in 2012, the growth in the market size of the fitting-out works industry in 2013 and 2014 had slowed down. Given the increasing housing supply and the expediting of land planning and development process, the pace of construction of new buildings rebounded in the following years and the number of newly developed real estate projects are expected to grow continuously, which in turn lead to an increase in demand for fitting-out works. It is expected that the market size of fitting-out works in Hong Kong would reach HK$282.1 billion in 2020, growing at the CAGR of 14.7% from 2015 to 2020.

Market Size of Fitting-out Works, Hong Kong, 2010-2020E

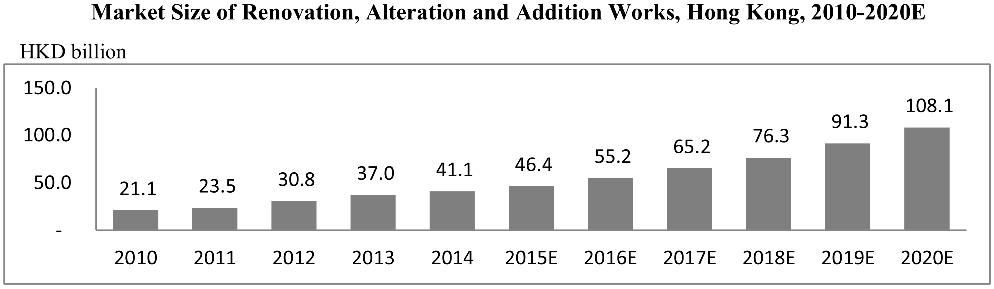


Source: Census and Statistics Department of Hong Kong SAR, Frost & Sullivan

Market Size of Renovation, Alteration and Addition Works in Hong Kong

The estimated market size of renovation, alteration and addition works in Hong Kong increased from HK$21.1 billion in 2010 to HK$41.4 billion in 2014, representing a CAGR of 18.2%, primarily due to the sustained growth in redevelopment plans of office buildings, urban areas and historic buildings. With the launching of policies in speeding up redevelopment process and raising buildings safety standards, the market size of renovation, alteration and addition works in Hong Kong is expected to grow, reaching HK$108.1 billion in 2020, at the CAGR of 18.4% from 2015 to 2020.

Market Size of Renovation, Alteration and Addition Works, Hong Kong, 2010-2020E



Source: Census and Statistics Department of Hong Kong SAR, Frost & Sullivan

Due to the nature of the industry for fitting-out work, renovation work and alteration and addition work, it is common for contractors to rely on a few clients, mainly property developers, and such client concentration is not uncommon for these kind of contractors in Hong Kong. The Group's client base for its fitting-out projects is relatively concentrated to property developers and main contractors appointed by the property developers.

KEY DRIVERS OF THE FITTING-OUT, RENOVATION, ALTERATION AND ADDITION WORKS INDUSTRY IN HONG KONG

Fitting-out projects for construction of newly built commercial premises and residential developments

Expediting of land planning and development. To address the rising needs of housing, Hong Kong government has been launching policies to simplify and speed up the process of land planning and development, as well as studying the possibility of increasing land supply through changing land uses and exploring new development areas. The development plan includes the implementation of North East New Territories New Development Areas, which would increase housing units, commercial buildings, recreation and cultural facilities, giving impetus to the fitting-out works industry of Hong Kong in those real estate projects.

Increasing living standard and requirements. With the stable economic growth and rising disposable income, the demand for decoration design and fitting-out works in Hong Kong is on the rise, which increases the requirements for the quality of works. To cater the needs of buyers, the property developers are embracing sophisticated and luxurious for the newly built residential units, thereby creating the huge demand for fitting-out projects with relatively greater budget.

Renovation, alteration and addition projects for existing commercial premises

Heritage Conservation Policy. The government has been launching policies in protecting, conserving and revitalizing appropriate historical and heritage sites and buildings through various schemes, including the Partnership Scheme and Maintenance Scheme for Privately Owned Historic Buildings, as well as providing economic incentives for conservation of privately-owned historic buildings. With the rising investment in heritage conservation and revitalization, the demand for renovation works is expected to rise.

Aging buildings with the mandatory inspection policies and rising requirements on building safety and quality of works. Under the Mandatory Building Inspection Scheme (MBIS), owners of buildings aged 30 years or above (except domestic buildings not exceeding three-storeys) and served with statutory notices are required to appoint an Registered Inspector (RI) to carry out the prescribed inspection and supervise the prescribed repair works found necessary of the common parts, external walls and projections or signboards of the buildings. Moreover, the property lifecycle for commercial and shopping malls in Hong Kong are both five to 10 years, implying frequent needs for fitting-out and renovation works. The number of old buildings is expected to continue its growth in the future, which would create the huge demand for renovation, alteration and addition works, combined with the rising requirements for the building safety. The public is having higher expectation on the quality of buildings, especially newly built residential units, with the open judgment of flat inspection being the mainstream among different property developers. The increasing requirements would certainly increase the demand for fitting-out and renovation works accordingly.

BARRIERS TO ENTRY OF THE FITTING-OUT, RENOVATION, ALTERATION AND ADDITION WORKS INDUSTRY IN HONG KONG

Good Relationship with Property Developers, Raw Materials Suppliers and Subcontractors. Only the leading fitting-out/renovation companies, less than 15%, in Hong Kong are on the tenderers lists of major property developers for the projects of the whole buildings. Many small fitting-out/renovation companies cannot even get tender invitation of such projects. In addition, the raw materials suppliers and subcontractors of the leading companies are mostly renowned in the industry, possessing extensive expertise and track record. Clients, therefore, would prefer the leading players with long-term cooperative relationship, high reputation and proven track record in execution and management of construction and fitting-out projects. The business opportunities for the new entrants would be limited.

Industry Expertise and Service Offering. The leading players are increasing competitiveness by providing integrated solutions in design, planning, coordination, supervision and project management for the fitting-out and renovation works. The track record, ability to take bulk orders within a short period of time, strong cash flow and sufficient manpower make the large scale fitting-out and renovation companies the first choice to property developers. Given the market norm that fitting-out and design are generally separated, companies with in-house designers would certainly add value to clients by initiating, reviewing and commenting on the design of a project. Hence, extensive project experience, expertise and service offering serve as an entry barrier to the new market entrants.

Significant Initial Investment. A substantial initial funding is required for new market entrant to start the business which covers sourcing of raw materials, investment in specific machineries, appointment of subcontractors, recruitment of labour and professionals, as well as the premium for issuing surety bond. Compared with the new entrants, some players are able to deploy the manpower in a more cost-effective way by high level of subcontracting, thus having greater flexibility in cost control and capital management. Also, the high level of cash flow would be the hindrance to the getting the tender invitation from property developers. The above cost factors will likely exert a high financial pressure on the new market entrants. For example, it is common in the industry that the projects require companies to have substantial cash outlays at the early stage of the projects while most of the cash inflows are only collected at the later stage of those projects. As such, the companies are required to maintain significant amount of working capital to settle the cash outflows in the projects, especially those at the early stage. The companies usually have net cash outflows at the early stage of projects as they are required to pay for the cost of materials as well as the cost of our subcontractors and the progress payments of fees would not sufficiently cover these costs until the later stage of the projects.

CHALLENGES AND OPPORTUNITIES

Higher Expectations from Clients. In Hong Kong, the fitting-out, renovation, alteration and addition works industry is encountering a trend of higher requirement and expectation from clients, which may include more fancy design and materials for decoration and renovation and tighter deadline for planning and execution, and therefore lead to additional workload on and expenditure from the service providers' ends such as sourcing of specific materials, adding headcount and professionals recruitment.

Integrated solutions becoming in the mainstream. An increasing number of Fitting-out, renovation, alteration and addition companies are integrating the business model as one-stop solution providers in the overall project implementation, including design planning, coordination, monitoring and supervision for the whole construction period until completion. With one-stop solution becoming the mainstream, quality of services are guaranteed and the needs client are better met, giving a rise to the multiservice providers who consistently winning remarkable and sizable projects, industry awards and press attention, as well as the trust of client. The comprehensive service offered by being a one-stop solutions provider for contracting services coupled with project management service allows the Group to ensure the consistency and quality of work which offers convenience to the clients by saving the need to engage different parties for the project execution.

LABOUR COST AND RAW MATERIAL PRICE ANALYSIS

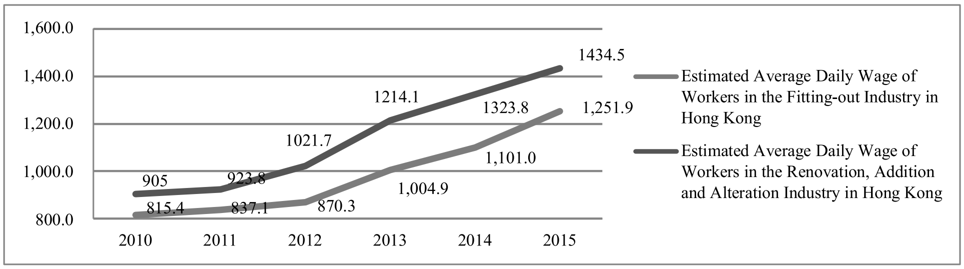
Labour Cost

Site work for fitting-out, renovation, and alteration and addition, are in general labour intensive, the use of subcontractors allow the companies to undertake at the same time multiple projects that are labour intensive and/or require workers with specific skills and licences, which in turn enable them to deploy its resources in a more cost effective manner. Due to rising labour cost in the industry in recent years, by the high level of subcontracting, instead of directly employ full time staff, is considered to be cost effective. The group's high level of subcontracting enables its better cost control compared with the counterparties.

The estimated average daily wage of workers in the fitting-out industry in Hong Kong increased from HK$815.4 in 2010 to HK$1,251.9 in 2015 at the CAGR of 9.0%, primarily attributable to the growing imbalance between the labour demand and supply in the industry. Among all types of workers in the fitting-out industry, the average wage of Carpenter experienced the most significant increase, from HK$994.3 per day per worker in 2010 to HK$1,883.6 per day per worker in 2015, representing a CAGR of 13.6%.

Despite the increase in the number of person engaged in construction works from 2010 to 2015, there is still the mismatch between the demand and supply for skilled labour. Combined with the growing demand for renovation, alteration and addition works and the shortage of skilled labour, the estimated average daily wage of workers in this industry increased from HK$905.0 in 2010 to HK$1,434.5 in 2015 at the CAGR of 9.7%. Among all types of workers in the renovation, alteration and addition industry, the average wage of Concreter recorded the greatest increase, from HK$935.2 per day per worker in 2010 to HK$1,893.3 per day per worker in 2015, representing a CAGR of 15.2%.

Estimated Average Daily Wage of Workers in the Fitting-out, Renovation, Alteration and Addition Industry in Hong Kong, 2010-2015



Note: The average daily wage of fitting-out workers is calculated based on the average daily wages of carpenters (formwork), plumbers, plasterers, glazier, painters and decorators, levelers, marble workers, electrical fitters (incl. electrician) and general workers and labourers. The average daily wage of renovation, alteration and addition workers is calculated based on the average daily wages of concreters, bricklayers, drain layers, metal workers, structural steel erectors and structural steel welders.

Sources: Census and Statistics Department of the Hong Kong Government, Frost & Sullivan

Raw Material Prices

Raw material of fitting-out, renovation, alteration and addition, including aggregates, bitumen, concrete blocks, glazed ceramic wall tiles, hardwood, paint and portland cement, experience a steady increase in the average wholesale price from 2010 to 2015, primarily due to the continued growth in the property market and construction industry in Hong Kong. Among the materials, the glazed ceramic wall tiles – white tiles recorded the greatest growth of CAGR 12.8% from 2010 to 2015.

Material	Unit	2010	2011	2012	2013	2014	2015	CAGR 2010-15
Glazed ceramic wall tiles – White tiles, 108mm x 108mm	100 pieces	127.3	174.67	212.7	236.0	236.3	233.0	12.8%
Glazed ceramic wall tiles – Colour tiles, 200mm x 200mm	100 pieces	270.0	291.33	366.7	395.7	400.0	431.0	9.8%
Emulsion paint	litre	38.0	42.33	48.0	51.7	52.0	52.7	6.7%
Acrylic paint	litre	39.3	44.00	48.3	48.7	49.0	50.0	4.9%
Concrete blocks, 100mm thick	square metre	60.0	66.00	70.0	71.3	76.7	78.0	5.4%
Aggregates	tonne	48.8	56.67	60.2	60.3	67.5	78.6	10.0%
Bitumen	tonne	7,483.3	8,226.58	8,937.2	8,741.1	8,418.8	7,843.1	0.9%
Hardwood	cubic metre	3,772.0	5,043.25	5,547.9	5,516.1	5,629.5	5,707.0	8.6%
Portland cement (ordinary)	tonne	612.7	662.92	690.3	698.5	720.4	739.2	3.8%

Source: Census and Statistics Department of Hong Kong SAR, Frost & Sullivan

COMPETITIVE LANDSCAPE

Overall, the fitting-out, renovation, alteration and addition works industry in Hong Kong is fragmented and highly competitive with a number of low-to-mid sized service providers in Hong Kong focusing on individual business sector (e.g. provision of fitting-out only but no renovation services, or *vice versa*) and some are offering fitting-out and renovation to retail sectors and residential buildings. The fitting-out, renovation, alteration and addition works industry is also featured by an evenly distributed market share among those low-to-mid end service providers as some players may specialize in certain client groups such as hotels and resorts, shopping malls, commercial buildings and offices. However, projects from listed property developers usually require fitting-out/renovation works of the whole building. Many small fitting-out/renovation companies cannot provide such service due to their (i) limited track record and experience; (ii) limited ability to take bulk orders and deliver in a short period of time; (iii) constraints in financial resources and (iv) their manpower constraints.

There are some middle-to-high end players offering integrated contracting services (i.e. covering fitting-out, renovation, alteration and addition works) to the property developers, main contractors, corporates and government authority and generally take part in large-scale projects involving commercial buildings and residential developments. Providing consistent quality services to clients is the core-competitiveness to fitting-out, renovation, alteration and addition companies, especially to those with integrated solutions in design, planning, coordination, supervision and project management. It is a market practice that fitting-out and design works are generally separated and design services would only be provided upon client request. Therefore, the fitting-out companies with design capabilities would have competitive advantages. The integrated services providers may appoint their own subcontractors and have their own in-house design or fitting-out, renovation project management team and undertake the supervision and coordination throughout the projects. Some service providers (e.g. subsidiary of property developers and main contractors) are Registered General Building Contractors (RGBC) or Registered Minor Works Contractors (RMWC), although some other players without such licenses or permits may still provide fitting-out and renovation service through subcontractors with the aforementioned licenses. New clients usually prefer to engage contracting service providers with relevant licenses, permits or qualifications required for their projects, such as RMWC (Co) and RGBC..

Tendering is a common practice for property developers, main contractors and government to identify suitable subcontractors for certain area of construction works and these clients may have their own tenderers lists with preferred subcontractors based on business relationship, track record, ability in handling large scale projects under tight schedules as well as financial situation and manpower capacity. It is a common tender requirement of property developers or large companies to require bidders to provide surety bonds in construction projects in Hong Kong. On the other hand, it is also a market norm for the fitting-out, renovation, alteration and addition companies to subcontract the projects to the counterparties trough tendering.

Projects from listed property developer are generally only restricted to fitting-out/renovation companies who are already inside their tenderers list. Many small fitting-out/renovation companies cannot even get tender invitation of such projects because of their lack of track record, capabilities and financial resources. Less than 15% of fitting-out/renovation companies in Hong Kong are within the tenderers list of listed property developers who prefer large scale companies over the small players for large scale projects, such as the fitting-out and renovation works of whole building. In general, for some international and renowned property developers, it is estimated that each of the developer has approximately only 10 to 15 fitting-out/renovation contractors on their preferred tenderers lists due to high entry requirement such as track record, qualifications and business relationship, etc. Those fitting-out/renovation contractors that are on the tenderers lists of major property developers are usually more recognised in the industry as normally they are on the tenderers lists of multiple property developers. Nevertheless, the competition among these service providers is keen as they need to compete on various criteria, including price, quality, track record, etc., where the property developers may appoint different service providers from time to time.

Details of the number of registered players in the industry are as follows:

Number of registered players, 2016	**2016**
Number of registered contractors (sub-contractors) for renovation and fitting-out works in Hong Kong	612
Number of registered contractors (sub-contractors) for alteration & addition works (type A minor works) in Hong Kong	~11,000

Source: Buildings Department, Construction Industry Council

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the Hong Kong fitting-out, renovation, alteration and addition industry for the period from 2011 to 2020. The report prepared by Frost & Sullivan for us is referred to in this document as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK$450,000, which we believe reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has 40 offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in China and direct access to the knowledgeable experts and market participants in the fitting-out, renovation, alteration and addition industry and its industry consultants, on average, have more than three years of experience.

We have included certain information from the Frost & Sullivan Report in this document because we believe this information facilitates an understanding of Hong Kong's fitting-out, renovation, alteration and addition industry for the prospective investors. The Frost & Sullivan Report includes information on Hong Kong's fitting-out, renovation, alteration and addition industry as well as other economic data, which have been quoted in this document. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Hong Kong fitting-out, renovation, alteration and addition industry. Primary research involved discussing the status of the industry with leading industry participants. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. On this basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect of that any fact has been omitted that would render such information false or misleading in any material respect.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the Hong Kong fitting-out, renovation, alteration and addition market. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: Hong Kong's economy is likely to maintain stable growth in the next decade and the country's social, economic and political environment is likely to remain stable in the forecast period. Additionally, fitting-out, renovation, alteration and addition market are expected to grow based on the macroeconomic assumptions of the economy. Additional key industry drivers include continued increase in housing supply, expediting of land planning and development, urban renewal and industrial building revitalization plan and etc.

HISTORY AND DEVELOPMENT

Corporate Development

The Group is principally engaged in the provision of fitting-out and renovation (including alteration and addition) contracting services for Hong Kong premises. Our history can be traced back to 2008 when our founder, Mr. Chan, our executive Director, chairman and chief executive officer, together with three Independent Third Parties, established Aeso Limited in Hong Kong, with a view to providing high quality contracting services to newly built and existing premises of corporate clients in Hong Kong.

Mr. Chan has nearly 19 years of experience in the building and construction industry, and had significant experience with various surveying and construction companies. For further details and background and the relevant experience of Mr. Chan, please refer to "Directors and Senior Management" in this document for further details.

In February 2009, Aeso Limited became wholly-owned by Mr. Chan, please refer to "History, Development and Reorganisation – Corporate history" below in this section for further details. Throughout the years, we have built our reputation in the industry as a contracting service provider which offers value-added services to cater for our clients' specification and satisfaction, which the Directors consider critical to our success and fostering a close relationship with our clients. Please refer to "Business – Competitive strengths" in this document for further details.

Pre-[REDACTED] Investment

Pursuant to the Subscription Agreements entered into among W & Q Investment, Acropolis Limited and the Company, W & Q Investment agreed to invest in the Group by subscribing 4,900 Shares for an aggregate consideration of HK$19,913,600. Following the Pre-**[REDACTED]** Investment, the Company was beneficially owned as to 51% and 49% by Acropolis Limited and W & Q Investment, respectively.

Background of the pre-[REDACTED] investor

W & Q Investment is a BVI business company incorporated in the BVI with limited liability on 29 January 2016 and is wholly owned by Mr. Liu as at the Latest Practicable Date. To the best knowledge and belief of the Directors after reasonable enquiry, W & Q Investment is an investment holding company set up solely for the purpose of investment in the Company and was not involved in other investment or any business that competes or may compete with our business as at the Latest Practicable Date.

Mr. Liu is one of the Controlling Shareholders and a director of W & Q Investment. He is an Independent Third Party (other than his beneficial interest in the shareholding interest in the Group). Mr. Liu has experience in the banking and finance industry and actively participates in investment in different industries in Asia through his investment arms. He was a senior director of Asia Bankers Club and a licensed person under the SFO serving at Morgan Stanley Asia Limited prior to setting up his own investment business in late 2013 with his own financial resources with a view to focusing on long-term investment projects, including but not limited to, listed equities and pre-**[REDACTED]** investments.

Save as disclosed in this document, Mr. Liu and W & Q Investment do not have any other relationship, whether present or past, with the Group, the Directors, the senior management of the Group, any connected persons of the Company and any of their respective associates. The subscription of the Shares by W & Q Investment as stated above was not financed directly or indirectly by connected persons of the Company nor the Group.

Details of the Pre-[REDACTED] Investment

Name of the investor	:	W & Q Investment
Number of Shares acquired by the investor under the Subscription Agreements	:	4,900 Shares
Total consideration	:	HK$19,913,600 in cash
Final payment date	:	Last settled on 8 April 2016
Date of completion of the Share allotment under the Subscription Agreements	:	8 April 2016
Number of Shares and percentage of shareholding held by the investor upon the **[REDACTED]**	:	**[REDACTED]** Shares, representing **[REDACTED]** of the total issued shares of the Company
Cost per Share paid by the investor (taking into account the Capitalisation Issue)	:	Approximately HK$**[REDACTED]** (representing a discount of approximately **[REDACTED]** to the mid-point of the indicative range of the **[REDACTED]**)
Use of proceeds	:	Applied towards the Reorganisation, settlement of part of the **[REDACTED]** expenses, business development, working capital and other corporate purposes of the Group. It is expected that the proceeds will be fully utilised before **[REDACTED]**
Lock-up of the investment made as part of the terms of the Subscription Agreements	:	Such lock-up period as required by the Stock Exchange, 180 days or such other period to be agreed by the Company, the Sponsor and W & Q Investment, whichever is the longest Each of Mr. Liu and W & Q Investment has undertaken to the Company and the Stock Exchange a further lock-up of the Shares held by it/him for a period of two years upon the **[REDACTED]**. Please refer to "Relationship with Controlling Shareholders – Voluntary lock-up undertaking by the Controlling Shareholders" in this document for further details.

Public float	:	All Shares held by W & Q Investment will not be considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules as W & Q Investment will remain as a Controlling Shareholder immediately upon **[REDACTED]**
Special rights granted to the investors	:	W & Q Investment is entitled to appoint two Directors. As such, W & Q Investment recommended and the Board appointed Miss. Zhang Qi and Mr. Law Wing Kit as non-executive Directors on 8 April 2016 and 29 April 2016, respectively It is provided under the Subscription Agreements that all special rights granted to W & Q Investment shall cease automatically upon **[REDACTED]**
Share-based payment	:	The Pre-**[REDACTED]** Investment is not in the form of share-based payment

Basis of determination of the consideration

The consideration of the Pre-**[REDACTED]** Investment was arrived after arm's length negotiation between the parties with reference to, among other things, the following factors:

(i) the audited net profit after tax for the two years ended 31 March 2014 and 2015 of Aeso Limited;

(ii) the development trend of the industry and market where the Group is operating in and the growth potential, business expansion and future prospect of the Group;

(iii) the pricing of recent pre-**[REDACTED]** investments in companies listed on the GEM and the investment risks assumed by Mr. Liu in investing in an unlisted company;

(iv) the existing client base of the Group which includes Hong Kong listed property developers, renowned local and international brands and government authority;

(v) the corporate culture, business management style as well as the expertise of the senior management of the Group;

(vi) the strategic benefits brought by Mr. Liu to the Group as stated in the below paragraph; and

(vii) the Group's plan for the **[REDACTED]** became more concrete and the expenses in relation to the **[REDACTED]**.

Strategic benefits to the Group

Mr. Liu was introduced to the Group through the Sponsor and he decided to invest in the Group because he was attracted by our growth potential and prospects. The Directors believe that Mr. Liu, as a shareholder of the Company, will bring strategic benefits to the Company, both in the short and long term, by (i) offering advice to the Group in preparation for the **[REDACTED]** based on his experience gained from other investment portfolios; (ii) providing immediate funding for the **[REDACTED]** expenses and additional working capital for the Group's operation; (iii) providing advice on optimising the existing banking and loan facilities arrangement of the Group based on his own bank connections; and (iv) assisting in expanding our business and broadening our client base by introducing new potential clients to the Group.

The Company will retain the Directors recommended by W & Q Investment in the Group after **[REDACTED]** in light of their contribution to the Group and such Directors would be subject to the retirement and re-appointment requirements under the Articles of Association and relevant GEM Listing Rules.

Save as the aforesaid directorships, Mr. Liu and W & Q Investment are not involved in the management and daily operations of the Group. Also, the board composition and decision making of the Company and Aeso Limited remained to be under the control of Mr. Chan during the Track Record Period and up to the Latest Practicable Date. Accordingly, the control of the Group has not changed since W & Q Investment became a Controlling Shareholder on 8 April 2016.

As W & Q Investment will remain as a Controlling Shareholder after the **[REDACTED]**, it is subject to the lock-up applicable restrictions of Rules 13.15 to 13.20 of the GEM Listing Rules and the Shares held by W & Q Investment are not considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules.

On the above basis, the Sponsor is of the view that the terms of the Pre-**[REDACTED]** Investment are under normal commercial terms and confirmed that the Pre-**[REDACTED]** Investment is in compliance with the Guidance Letters HKEx-GL29-12 and HKEx-GL 43-12 (updated in July 2013) issued by the Stock Exchange since the consideration under the Pre-**[REDACTED]** Investment was settled on 8 April 2016, which was more than 28 clear days before the date of the first submission of the **[REDACTED]** application to the Stock Exchange in relation to the **[REDACTED]**.

BUSINESS MILESTONES

The following sets forth the significant milestones in the Group's history:

Year	Event
2008	Aeso Limited was incorporated as a limited company in Hong Kong and commenced business in providing fitting-out and renovation (including alteration and addition) contracting services in Hong Kong

As our first project, we acted as a contractor for a member of a well known property company group, to undertake renovation work for the yacht and country club and existing premises of a four-star hotel in Hong Kong

2009	We acted as a contractor for a Hong Kong listed property developer under the same well known property company group to undertake fitting-out work for a club house of its new residential development in Tsuen Wan, Hong Kong
2010	We acted as a contractor for a Hong Kong listed property developer to undertake fitting-out work for common lobby areas and various parts of flat units in respect of its new residential development in Wan Chai, Hong Kong
	We provided renovation contracting services to a renowned deluxe local jewellery and watch company with interior design service for its retail flagship store located in Tsimshatsui, Hong Kong of approximately 7,800 sq.ft.
2011	We acted as a contractor for a member of Hong Kong listed property developer to undertake renovation and alteration and addition work for its existing mega shopping mall in Hong Kong
	We acted as a contractor for a member of Hong Kong well established property developer to undertake fitting-out work on show-flats of its new residential development located in Mid-levels West, Hong Kong
	We provided renovation contracting services to the first public utility and one of the largest energy suppliers in Hong Kong with rebranding and interior design service for its new chain of customer service centres in Hong Kong.
2012	We acted as a contractor for a Hong Kong government authority to undertake renovation work for its information centre located in the second tallest building in Hong Kong
	We were awarded the China's Most Successful Design Awards in a design competition organised by Successful Design Organisation (www.SuccessfulDesign.org) for two of our project with interior design service provided by us for one of the largest energy suppliers in Hong Kong
2013	We acted as a contractor for a renowned international coffee brand to undertake fitting-out work for its retail store located in the shopping mall in the second tallest building in Hong Kong
2014	We were awarded a project with contract sum of HK$77 million to undertake renovation work for the common area of existing premises located in the third tallest building in Hong Kong
2015	We were invited by the same Hong Kong government authority to provide contracting services for renovation work for its general office area, including reception, meeting room, theaters, lift lobby and corridors, located in the second tallest building in Hong Kong

2016	We were admitted to the tenderers lists of 12 listed property developers, four of which are constituent stocks of the Hang Seng Index

CORPORATE HISTORY

The following is a brief corporate history of the establishment and major changes in the shareholdings of the Company and its subsidiaries.

The Company

The Company, being the ultimate holding company of the Group, was incorporated in the Cayman Islands as an exempted company with limited liability on 10 December 2015. As at the date of its incorporation, the Company had an authorised share capital of US$50,000 divided into 50,000 shares of par value of US$1.00 each, of which one fully paid Share was allotted and issued to Harneys Services (Cayman) Limited at par, being the initial subscriber. On 14 December 2015, the one Share held by the initial subscriber was transferred to Mr. Chan at par. Mr. Chan then transferred the one Share to Acropolis Limited at par on 5 February 2016. On 21 March 2016, 5,099 Shares were allotted and issued to Acropolis Limited at par.

On 8 April 2016, 4,900 Shares were allotted and issued to W & Q Investment for an aggregate consideration of HK$19,913,600 pursuant to the Subscription Agreements, details of which are set out in "History, Development and Reorganisation – Pre-**[REDACTED]** Investment" above in this section. After the aforesaid allotments, the Company was beneficially owned as to 5,100 Shares and 4,900 Shares by Acropolis Limited and W & Q Investment, respectively.

The Company underwent a subdivision of shares on 24 June 2016 whereby each of the existing issued and unissued ordinary Shares of par value of US$1.00 was subdivided into 100 ordinary Shares of par value of US$0.01 each, and such subdivided Shares shall rank *pari passu* in all respects with each other, such that after the subdivision, the authorized share capital of the Company became US$50,000 divided into 5,000,000 Shares of par value of US$0.01 each, and the issued share capital of the Company became US$10,000 divided into 1,000,000 Shares of par value of US$0.01.

Each of the abovementioned allotment and transfer was properly and legally completed and settled.

Aeschylus Limited

Aeschylus Limited was incorporated in the BVI as a BVI business company with limited liability on 16 December 2015. Aeschylus Limited is an investment holding company and it did not and had not carried on any business activities since its incorporation and up to the Latest Practicable Date.

As at the date of its incorporation, Aeschylus Limited was authorised to issue a maximum of 50,000 shares of a single class with no par value, of which one ordinary share with no par value was allotted and issued to Mr. Chan. On 5 February 2016, the one ordinary share held by Mr. Chan was transferred to the Company. After the aforesaid transfer, Aeschylus Limited has become a direct wholly-owned subsidiary of the Company.

The abovementioned allotment and transfer was properly and legally completed and settled.

Aeso Limited

Aeso Limited, being the operating entity of the Group, was incorporated in Hong Kong as a limited liability company on 17 January 2008. As at the date of its incorporation, Aeso Limited had an authorised share capital of HK$1,000,000 divided into 1,000,000 shares of HK$1.00 each, of which 510,000 shares were allotted and issued to Mr. Chan at par, and an aggregate of 490,000 shares were allotted and issued to the three Independent Third Parties (the "**Aeso Subscribers**") at par.

On 16 February 2009, as the Aeso Subscribers intended to devote more time to pursue their own business and career development, each of the Aeso Subscribers transferred all its shares in Aeso Limited to Mr. Chan for an aggregate consideration of HK$490,000. As confirmed by Mr. Chan, there was no disagreement or disputes among Mr. Chan and the Aeso Subscribers at the time of the aforesaid transfer. After the aforesaid transfer, Aeso Limited was beneficially wholly-owned by Mr. Chan.

On 29 February 2016, Mr. Chan transferred 1,000,000 shares of Aeso Limited to Aeschylus Limited for a consideration of HK$1.00. After the aforesaid transfer, Aeso Limited has become a direct wholly-owned subsidiary of Aeschylus Limited and an indirect wholly-owned subsidiary of the Company.

Each of the abovementioned allotment and transfers was properly and legally completed and settled.

REORGANISATION

The Company completed the Reorganisation on 8 April 2016 in preparation for the **[REDACTED]**, pursuant to which the Company has become the holding company of the Group. The Reorganisation included the following major steps:

(1) Incorporation of the Company

On 10 December 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of US$50,000 divided into 50,000 Shares of par value of US$1.00 each, with one fully paid Share issued to the initial subscriber. On 14 December 2015, the one Share was transferred to Mr. Chan.

(2) Incorporation of Aeschylus Limited as the intermediate holding company

On 16 December 2015, Aeschylus Limited was incorporated in the BVI as a BVI business company with limited liability and is authorised to issue a maximum of 50,000 shares of a single class with no par value, and one ordinary share with no par value, representing the entire issued share capital of Aeschylus Limited, was allotted and issued to Mr. Chan on the same date. On 5 February 2016, the Company acquired the one ordinary share of Aeschylus Limited from Mr. Chan at a consideration of US$1.00 as fully paid. As a result, Aeschylus Limited has become a wholly-owned subsidiary of the Company.

(3) Acquisition of the entire issued share capital in Aeso Limited by Aeschylus Limited

Pursuant to the bought and sold note dated 29 February 2016 entered into between Mr. Chan (as transferor) and Aeschylus Limited (as transferee), Mr. Chan transferred the entire issued share capital in Aeso Limited to Aeschylus Limited at a consideration of HK$1.00 as fully paid. As a result, Aeso Limited has become a direct wholly-owned subsidiary of Aeschylus Limited and an indirect wholly-owned subsidiary of the Company.

Immediately after the completion of the abovementioned share transfer, the Company then became the holding company of the Group and Aeschylus Limited became the intermediate holding company of Aeso Limited.

(4) Subdivision

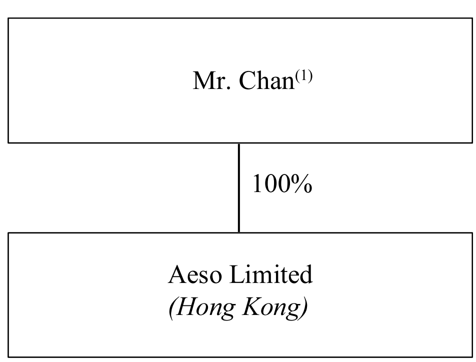
The Company underwent a subdivision of shares on 23 June 2016 whereby each of the existing issued and unissued ordinary Shares of par value of US$1.00 was subdivided into 100 ordinary Shares of par value of US$0.01 each, and such subdivided Shares shall rank *pari passu* in all respects with each other, such that after the subdivision, the authorised share capital of the Company became US$50,000 divided into 5,000,000 Shares of par value of US$0.01 each, and the issued share capital of the Company became US$10,000 divided into 1,000,000 Shares of par value of US$0.01

(5) Capitalisation Issue and [REDACTED]

Conditional upon the share premium account of the Company being credited as a result of the allotment and issue of the **[REDACTED]** pursuant to the **[REDACTED]**, a sum of US$**[REDACTED]** standing to the credit of the share premium account of the Company will be capitalised by applying such sum in paying up in full at par a total of **[REDACTED]** Shares for the allotment and issue to each of Acropolis Limited and W & Q Investment in proportion to their respective shareholdings in the Company.

THE GROUP STRUCTURE

The following diagram sets out the corporate structure of the Group immediately prior to the Reorganisation:

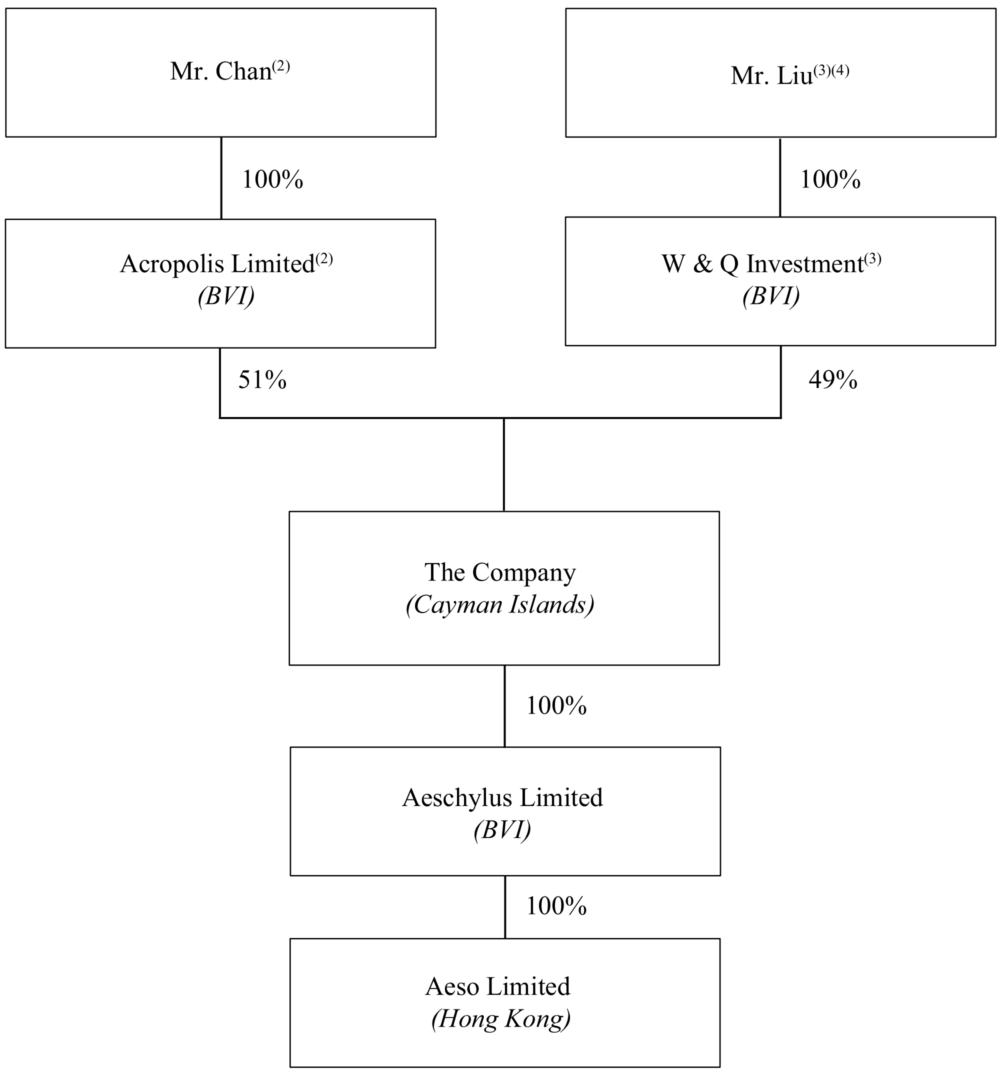


Note:

1. During the Track Record Period and up to the Latest Practicable Date, Mr. Chan and his associates carried out businesses which are considered to be ancillary to the Group's business and are excluded from the Group. Please refer to "Relationship with Controlling Shareholders – Competition" in this document for details.

2. Mr. Chan held 1,000,000 shares of HK$1.00 each in Aeso Limited immediately prior to the Reorganisation.

The following diagram sets out the corporate structure of the Group immediately after completion of the Reorganisation:



Notes:

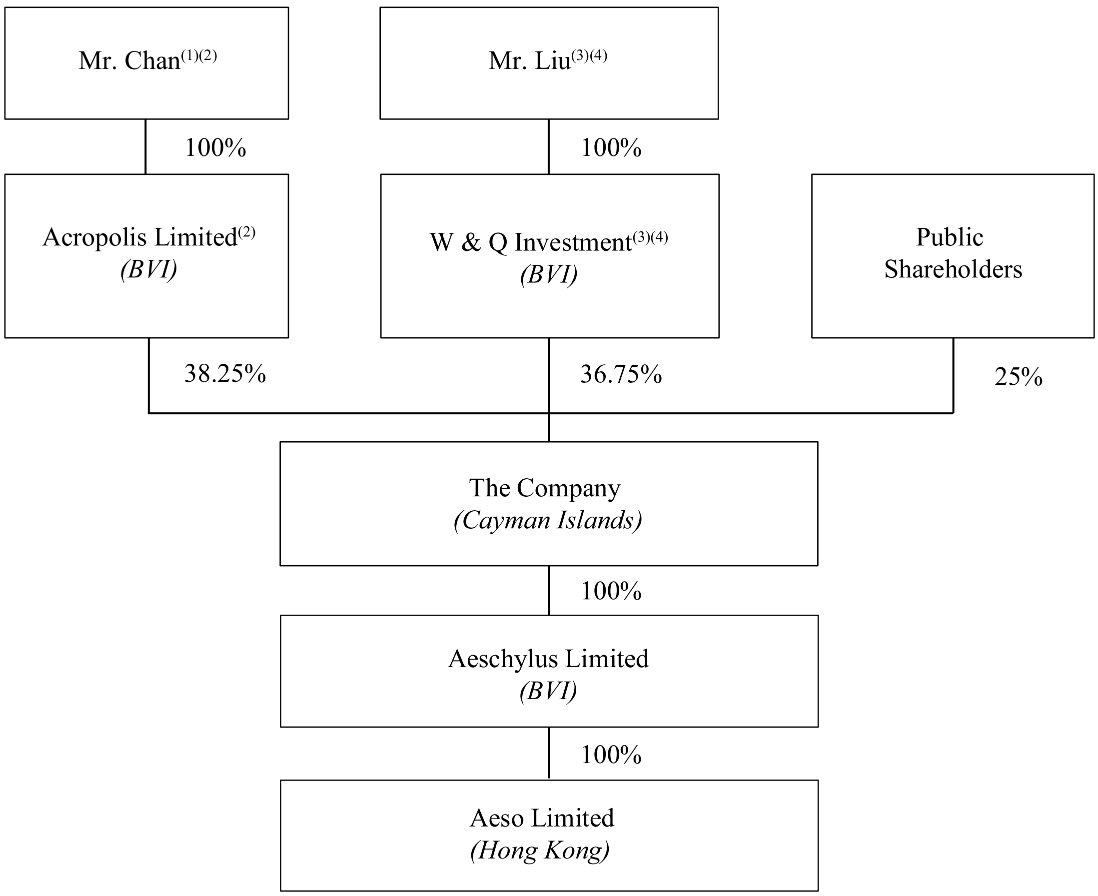
1. During the Track Record Period and up to the Latest Practicable Date, Mr. Chan and his associates carried out businesses which are considered to be ancillary to the Group's business and are excluded from the Group. Please refer to "Relationship with Controlling Shareholders – Competition" in this document for details.

2. Mr. Chan held through Acropolis Limited 510,000 Shares of US$0.01 each after a subdivision of Shares on 23 June 2016.

3. Mr. Liu is an Independent Third Party. Please also see "History and Development – Pre-**[REDACTED]** investment" in this section for information regarding Mr. Liu and W & Q Investment.

4. Mr. Liu held through W & Q Investment 490,000 Shares of US$0.01 each after a subdivision of Shares on 23 June 2016.

The following diagram sets out the corporate structure of the Group upon completion of the Capitalisation Issue and the **[REDACTED]**:



Notes:

1. During the Track Record Period and up to the Latest Practicable Date, Mr. Chan and his associates carried out businesses which are considered to be ancillary to the Group's business and are excluded from the Group. Please refer to "Relationship with Controlling Shareholders – Competition" in this document for details.

2. Mr. Chan held through Acropolis Limited **[REDACTED]** Shares upon completion of the Capitalisation Issue and the **[REDACTED]**.

3. Mr. Liu is an Independent Third Party. Please also see "History, Development and Reorganisation – Pre-**[REDACTED]** Investment" in this section for information regarding Mr. Liu and W & Q Investment.

4. Mr. Liu held through W & Q Investment **[REDACTED]** Shares upon completion of the Capitalisation Issue and the **[REDACTED]**.

OVERVIEW

The Group is principally engaged in the provision of fitting-out and renovation (including alteration and addition) contracting services of Hong Kong premises.

The Group undertakes fitting-out work for construction of newly built commercial premises and residential developments (the "**Fitting-out Projects**") either as a main contractor or a nominated subcontractor and it undertakes renovation (including alteration and addition) work for existing commercial premises (the "**Renovation Projects**") as a main contractor. During the Track Record Period, all the projects were conducted in Hong Kong.

In respect of either the Fitting-out Projects or the Renovation Projects, the Group is responsible for the overall implementation of the projects according to the required scope of work, which generally includes planning, coordination, monitoring and supervision for the whole construction period until completion. We manage the cost, time and quality of the project through the management of subcontractors, material and equipment procurement. The Group generally does not directly employ the site labour force on projects but engages subcontractors to perform the site work, including such site work requiring relevant qualifications or licences, which is in line with the market practice. The Group has its in-house team of experienced staff with extensive project management experience and engineering knowledge with the capability to deliver quality work in conformity with the client's expectation and the prescribed timeframe. The in-house team facilitates the smooth progress of the projects by managing daily matters that arise during the course of the projects. The Group also offers interior design as a value-added service to its clients on a case-by-case basis. A brief description of the main services provided by the Group is as follows:

Fitting-out Projects	:	We plan, coordinate, monitor and supervise the completion of the fitting-out work for Fitting-out Projects. Fitting-out work, a process of making interior space suitable for occupation, generally includes partitioning work, steel and metal work, woodwork, marble work, stone work, plastering and painting work, electrical, plumbing and drainage installation work. In all Fitting-out Projects, our fitting-out subcontractors are responsible for the supply of labour for installation work.
Renovation Projects	:	We plan, coordinate, monitor and supervise the completion of renovation (including alteration and addition) work for Renovation Projects. Renovation work includes the restoration, upgrade or improvement of the general condition of the facilities. Alteration and addition work includes the demolition work, concrete strengthening, structural steel, reinforced concrete work, new cladding, glazing and the Building Services. In some Renovation Projects, our renovation work includes engagement of subcontractors who are RGBC responsible for supervision and monitoring of the structural alteration and addition work.

Apart from the above services we provided, we also manage the supply of materials to be used in Fitting-out Projects and Renovation Projects. Further details on our subcontracting of the fitting-out work are please refer to "Business – Suppliers" in this document for further details on our materials suppliers.

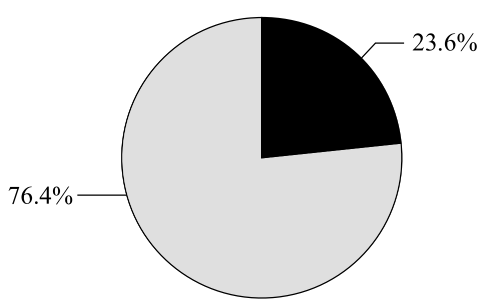
For Fitting-out Projects, our clients mainly include property developers and main contractors which were instructed by property developers to appoint us as the nominated subcontractor for fitting-out work for commercial premises and residential developments. For Renovation Projects, our clients mainly include property developers, landlords, government authority, international retail brand and renowned local retailer for renovation work and alteration and addition work for commercial premises, including hotels, grade A office premises and shops.

The Directors believe that our ability to provide value-added services by initiating, reviewing and commenting on the design details of a project has contributed not only to our success but also allow us to maintain a close relationship with our clients. To achieve timely completion of the projects for our clients with a high quality standard acceptable to them, we engage experienced and reliable major material suppliers and service subcontractors who had long established relationships with us. Please refer to "Business – Competitive Strengths" in this document for further details.

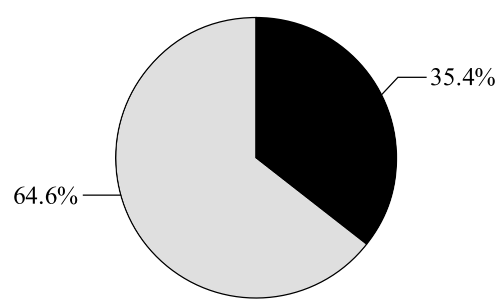
Revenue from a project mainly represents the contracting fee income, while the major costs of a project incurred by us include subcontracting charges and costs of material required for the performance of the work.

The following table sets out a breakdown of the Group's revenue generated from Fitting-out Projects and Renovation Projects by percentage during the Track Record Period:

For the year ended 31 March 2015



For the year ended 31 March 2016



■ Fitting-out Projects *Note 1* □ Renovation Projects *Note 2*

Note 1 The Group undertook Fitting-out Projects either in the capacity of a main contractor or subcontractor during the Track Record Period.

Note 2 The Group undertook all Renovation Projects in the capacity of a main contractor during the Track Record Period.

The majority of the Group's revenue was generated from Renovation Projects during the Track Record Period. Please refer to "Financial Information – Consolidated statements of profit or loss and other comprehensive income – Revenue" in this document for further details on the Group's revenue contributed by Fitting-out Projects and Renovation Projects.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, it is anticipated that the demand for fitting-out work will continue to grow with an increase in market size at a CAGR of 14.7% from 2015 to 2020. This is primarily due to the increasing housing supply and the expediting of the land planning and development process as a result of the policies of the Government, which should increase the demand for fitting-out works for the continual growth of newly developed real estate projects.

Moreover, according to the Frost & Sullivan Report, it is anticipated that the demand for renovation work in Hong Kong will also continue to grow at a CAGR of 18.4% from 2015 to 2020. This is primarily due to the launching of policies by the Government to accelerate the redevelopment process regarding revitalisation plan and the Heritage Conservation Policy, as well as the raising buildings safety standards, including the mandatory inspection policies for aging buildings, which would create the significant demand for renovation work.

The fitting out and renovation industry in Hong Kong is fragmented and highly competitive with a number of low-to-mid sized service providers in Hong Kong focusing on individual business sector (e.g. provision of fitting-out only but no renovation services, or *vice versa*) and some are offering fitting-out and renovation work to retail and residential building sectors. On the other hand, there are middle-to-high end players like the Group offering integrated contracting service to the property developers, main contractors, corporates and government authority who generally participate in large-scale projects involving commercial and residential developments.

Tendering is a common practice for property developers, main contractors and government to identify suitable subcontractors for certain area of construction works and these clients may have their own tenderers lists with preferred subcontractors based on, amongst other things, business relationship and track record. Thus, there are potential business opportunities for those service providers upon the receipt of tender invitation and some other criteria (e.g. project cost, quality, materials, track record) may also be considered by the developers and government before awarding the contracts to the service providers. As a result, there are keen competitions for tender awards among those service providers in the industry.

Please refer to "Industry Overview – Competitive landscape" in this document for further details regarding the competitive landscape of the industry in which the Group operates.

COMPETITIVE STRENGTHS

The Directors believe the following competitive strengths contribute to the Group's continued success and potential for growth:

An established track record in our market with stable and long-term client relationships with our major clients that include listed property developers

The Group has been providing contracting services for newly built and existing commercial premises and residential developments in Hong Kong since our incorporation in 2008. We have a proven track record in the successful and satisfactory delivery of fitting-out work and renovation (including alteration and addition) work. For Fitting-out Projects, our clients mainly include property developers and main-contractors which were instructed by property developers to appoint us as the nominated subcontractor. For Renovation Projects, our clients mainly include property developers, landlords, government authority, renowned international and local retail brands. The Directors believe that through the Group's proven track record, it has developed a reputation in the industry in Hong Kong for delivering good quality work in a timely manner and the Group's professional and quality services have been well recognised in our market. The recognition we enjoy can be demonstrated by our inclusion in the lists of selected tenderers of 12 listed property developers during the Track Record Period and up to the Latest Practicable Date. Among these 12 listed property developers, four of which are constituent stocks on the Hang Seng Index, which represented 40% of all listed property developers on the Hang Seng Index. For details of the major projects we have completed since our incorporation, please refer to "History, Development and Reorganisation – Business milestones" in this document.

Since our incorporation, we have been working with member companies of Hong Kong listed property developers, which we have established stable and long-term business relationships. Majority of projects awarded to us have been granted by our recurring clients during the Track Record Period. By maintaining close relationship with our clients, we aim to keep ourselves updated of our clients' upcoming projects to put ourselves in a position to be invited for tendering. Throughout the Track Record Period, our clients that have had a business relationship with us for over seven years contributed to approximately 67% and 47% of our revenue for the years ended 31 March 2015 and 2016, respectively. The Directors are of the view that through our quality services and close contact with our clients, we would be able to maintain close relationship with our clients with a better understanding of their needs and preferences which allows us to provide tailor-made and value-added contracting services to them, and to continuously gain from the stable source of revenue. Further, we believe that such relationships with our clients enhances our brand recognition and our successful projects with these clients are good references for new clients in future. Please refer to "Business – Clients" in this document for further details.

Strong and stable relationships with our major suppliers and subcontractors

We have established good and long-term relationships with our major suppliers and subcontractors. We procure and purchase some of our materials and obtain services from suppliers. Those suppliers from which we source our raw materials are mostly renowned in the industry. Our subcontractors are reliable industrial players which possess extensive experience in their respective fields. As at the Latest Practicable Date, we had over 60 approved subcontractors and over 70 approved materials suppliers, of which many of whom have a relationship with us ranging from three years to eight years.

Leveraging on our strong and stable relationship with our suppliers and subcontractors we have been able to acquire regularly the latest market information relating to contracting services and latest materials. We believe that this enables us to have a better understanding of the industry and market trends and our strong and stable relationships with our suppliers and subcontractors has helped us to provide consistent service, thereby strengthening our relationships with our clients and maintain our competitiveness. Please refer to "Business – Suppliers and subcontractors" in this document for further details.

Integrated project execution for contracting services

The Directors believe that one of our competitive strengths lies in our integrated approach which includes contracting services coupled with project management, and when required, our input to the design details of the projects.

For both our Fitting-out Projects and Renovation Projects, our integrated approach to project execution gives our clients a combined service in a package including planning, coordination, monitoring and supervision for every work task, including decoration work and Building Services for the whole construction period until completion as well as contribution to the design details throughout the projects. With this approach, we can save our clients time by eliminating their need to coordinate different aspects at different stages of a project and dealing with different subcontractors. We believe that this approach provides our clients a convenient time and cost saving service to obtain a tailor-made and comprehensive solution to their projects.

The Group has extensive experience in offering a comprehensive fitting-out and renovation (including alteration and addition) contracting services. The Group is closely involved throughout a project from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance. The Group also possesses the expertise in executing fitting-out work and renovation work of different nature and complexity for various types of buildings and structures. For projects involving structural alteration and addition work, the Group would appoint external RGBCs as our subcontractors as required under the Buildings Ordinance. Furthermore, the Group could initiate, review and comment on the design details of a project through our in-house designers. The Directors believe that the combined service allows the Group to ensure the consistency and quality of work which offers convenience to the Group's clients by saving the need to engage different parties for the execution of a project.

A strong and experienced management team with proven track record

We have a seasoned management team with extensive experience in contracting services for fitting-out work and renovation work. We are led by our founder and executive Director, Mr. Chan. Many of our senior management team members have been with the Group since its incorporation in 2008 and have developed strong synergies in working and management style with their diverse yet complementary backgrounds. In particular, Mr. Chan has served in both consultancy and contracting firms with over 19 years of experience in building and construction industry, especially in the field of fitting-out and renovation contracting services. He is a registered professional quantity surveyor and has in-depth understanding in the cost control and contractual aspect of construction projects in Hong Kong.

As at the Latest Practicable Date, the Group has an in-house team of 29 staff, of which 11 are staff members with over 10 years of experience directly in contracting services, excluding Mr. Chan. Each member of our senior management team had at least 10 years of experience in their respective expertise. We believe that the in-depth industry knowledge and extensive project management experience of our senior management team reduce our turn-around time on construction of proposals and quotations and have helped ensure smooth progress and completion of our projects. Furthermore, many of our senior management team members have been with the Group since its incorporation and have developed a good business relationship with our clients. The Directors believe that leveraging on the experience and professional knowledge of our senior management on effective cost planning, procurement of appropriate materials and familiarity with work procedures and contractual aspects of construction projects, we are able to establish mutual trust with the clients, which in turn provide the Group with opportunities to solicit recurring and new businesses. Details of the qualification and experience of the Directors and our senior management are set out in "Directors and Senior Management" in this document.

Based on the above, the Directors consider that the Group has a strong in-house team experienced in contracting and project management services enabling the Group to compete effectively in its industry.

BUSINESS STRATEGIES

The Group's goals are to achieve sustainable growth in current business and to further strengthen its overall competitiveness in providing contracting services in Hong Kong. To achieve these, the Directors plan to continue to capitalise on opportunities to utilise the Group's competitive strengths and implement the following strategies:

1. Further developing the Group's contracting business

We plan to further develop our contracting business by continuously seeking opportunities in both Fitting-out Projects and Renovation Projects in Hong Kong. For the years ended 31 March 2015 and 2016, our revenue derived from Fitting-out Projects accounted for approximately 23.6% and 35.4% of our total revenue, respectively, while from Renovation Projects accounted for approximately 76.4% and 64.6% of our total revenue, respectively. As disclosed in "Industry Overview" in this document, it is anticipated that the demand for fitting-out work and renovation work will continue to grow, representing significant market opportunities for interior design and fitting-out companies engaged in providing service in residential development and commercial projects. In view of the above, we will continue to utilise on our extensive experience and knowledge in building industry to solidify and further develop our contracting business in Hong Kong by the following means:

Enhancing our financing capabilities to undertake more projects

The Group will endeavour to continue its business relationship with its existing clients while procuring new clients including landlords, property developers and main contractors. The Directors intend to expand the Group's client base and undertake more projects of larger scale in terms of contract sum in the future. In order to capture more business opportunities, we plan to improve our cashflow position and expand our capacity in undertaking more projects, which largely depends on our available working capital. The Fitting-out Projects and Renovation Projects in the building industry usually require contractors to provide surety bonds issued by a bank or an insurance company in favour of the client, with an amount generally up to approximately 10% of the contract sum of the underlying contract. Under the surety bond, if the contractor fails to perform the contract according to its terms, the client has the right to claim for any monetary compensation up to the amount of the surety bond.

In respect of a surety bond given by a bank, it is normally required to deposit with the bank a collateral sum equal to the amount guaranteed under the relevant surety bond. In respect of a surety bond given by an insurance company, while lesser collateral sum is required to be deposited with the insurance company, it is generally required a personal indemnity given by the shareholders and also required to pay a relatively higher premium and/or arrangement fee to the insurance company than to the bank for the issue of the surety bond.

While it is common for property developers to require surety bonds from its contractors, the Group would generally try to negotiate with its property developer clients so that they would agree not to require the Group to provide surety bonds. As part of the tender negotiation process, the Group may offer to them a discount (up to 1.2% of the contract sum during the Track Record Period) to our fees to them. By adopting this strategy, we may end up charging a lower fee in general if we are awarded the tender but we can avoid depositing the collateral sum for the surety bonds at the beginning of the project and free up more working capital for other projects. However, the Directors confirm that this strategy is only applicable to the Group's existing clients with which it has established relationship and new clients would usually require us to provide surety bonds. During the Track Record Period, the Group only provided one surety bond issued by an insurance company in favor of one of its new client. Please refer to "Business – Clients – General terms of engagement with clients – (vii) Surety bonds" below in this section for further details of such surety bond.

Upon **[REDACTED]**, the Directors believe that the proceeds from the **[REDACTED]** will strengthen our available financial resources to satisfy the deposit requirements for the issue of surety bonds in the future, thereby allowing us to tender for the projects that require the provision of surety bonds, especially from the potential new clients, without offering a discount or imposing significant pressure on our cash flow.

By doing so, not only that we are able to improve our profit margin, the Directors believed that our financial capacity to provide surety bond in the future will have the benefit of (i) increase our client base as potential new clients generally require the provision of surety bond; (ii) our ability to undertake more projects of larger scale or contract sum which are generally cashflow demanding. In addition, our improved financial position upon **[REDACTED]** would enable us to opt for surety bonds issued by the banks, which generally do not require personal indemnity from our shareholders and charge a relatively lower premium compared with insurance companies.

Expanding our scope of services to capture new clients

To enhance the comprehensiveness of the Group's services, the Group intends to expand its contracting services from time to time and apply for additional licences, permits or qualifications which may be required so as to capture new clients and broaden our client base. Based on our experience, our clients often prefer to engage contracting service providers with relevant licences, permits or qualifications required for their projects, such as RMWC(Co) and RGBC.

The Group has undertaken the Minor Works required in its projects through a sole proprietor registered by Mr. Chan. Please refer to "Relationship with Controlling Shareholders – Competition" in this document for further details. In order to expand its scope of contracting services to include the Minor Works, on 17 June 2016 the Group has applied to the Buildings Authority of Hong Kong for the registration as an RMWC(Co).

During the Track Record Period, we have subcontracted out the alteration and addition work of our projects that requires the license of RGBC. The Group has entered into two engagements for projects as a main contractor for the alteration and addition work of commercial premises in Hong Kong during the Track Record Period and up to the Latest Practicable Date. In order to undertake more Renovation Projects which involve alteration and addition work, the Group also intends to make an application to the Buildings Authority of Hong Kong for the registration as an RGBC.

Two of our Renovation Projects with interior design service provided by us were awarded the China's Most Successful Design Awards in a design competition in 2012. Since then, we have been making continuous efforts in strengthening our design capability by recruiting staff with design background to continuously provide customised interior design service catering for various preferences of our existing and new clients and some of the projects which require design capabilities as a prerequisite for tendering. The Group intends to further expand its in-house design team by recruiting qualified and experienced interior designers and upgrading our design software. The Directors believe that our interior design capabilities have been recognised in the industry and all these will enable us to strengthen our market position and maintain our competitiveness, as well as further enhance our combined contracting services by providing interior design service in our fitting-out work and renovations work to our clients in our projects.

Strategic tendering approach for new clients

In addition to our effort to maintain a core group of recurring clients, we also intend to seek new clients in order to increase our client base and reduce our reliance on our major clients by actively participating in tendering or responding to tender invitations if the projects match with our scope of services. In addition, the Directors believe that the net proceeds from the **[REDACTED]** can strengthen the Group's available financial resources so that we are able to set a more competitive tender price to capture new clients. Although such strategic tendering approach for new clients may slightly lower our gross profit margin in the short run, the Directors believe the benefit from the future revenue contributed by a larger client base will outweigh the decrease in gross profit margin in the short run.

2. Further expanding our capacity to cope with future business opportunities

We believe that we are a recognised brand in the construction industry in Hong Kong and has executed several projects that have been well received by the industry. As outlined in the below paragraph, the Group plans to leverage on our competitive advantages to capture more business opportunities on both Fitting-out Projects and Renovation Projects. We believe that our proven track record and close relationships with our Hong Kong property developer clients which are listed as Hang Seng Index constituent stocks will put us in the position to compete against other market players for upcoming projects in the years to come. In order to capture such opportunities and cope with the Group's business expansion, we are going to expand our capacity to undertake more projects and better serve our clients, as well as to expand our current office. As at the Latest Practicable Date, we have leased our second office premises in the same building where our current office is located and the new lease has commenced in June 2016.

We plan to acquire premises in Hong Kong as our warehouse and showroom for our operating needs and storage purpose. Such premises will be used for keeping adequate level of materials for on-going projects or future use. We also intend to use part of such warehouse as our showroom for displaying the completed mock-up products for clients' inspection, exhibiting new material design and matching at prototype format, as well as providing a venue for our subcontractors to carry out off-site work tasks and pre-cast fabrications.

The Directors consider that it would not be in our best interest to use leased properties for this purpose because of: (i) the risk of substantial increases in rental expenses; and (ii) the risk of early termination or non-renewal of our tenancy agreements by the relevant landlord. We target to acquire a premises with approximately 1,000 to 1,200 sq.ft. with a budget between HK$5.5 million to HK$6.2 million. As at the Latest Practicable Date, we have identified two potential acquisition targets located in Chai Wan and Aberdeen in Hong Kong, respectively. Nevertheless, we have not yet entered into any provisional sale and purchase agreement or sale and purchase agreement. We plan to finance the transaction from the proceeds from the **[REDACTED]** as well as by way of mortgage loan. If there is a shortfall in funding, such expenditure would be financed by our internal resources. The actual acquisition will be subject to the prevailing market price of similar premises located in the same area as well as the availability of other better options.

We owned three motor vehicles to cater for the staff's (especially site managers) transportation between the work site as well as the logistic arrangement for work materials from time to time as at the Latest Practicable Date. Two of our motor vehicles have been used for more than eight years and the remaining one has a relatively high utilisation record. All of which incurred high maintenance cost. We intend to purchase new motor vehicles to replace these existing motor vehicles so as to cope with our expansion of the project management team and to lower their maintenance cost and to further ensure the motor vehicle performance and reliability.

3. Further strengthening the Group's in-house team

The Group considers that it is crucial to its continuing success to maintain its strong in-house team of experienced staff or professionals, which the Group has relied on for the execution of contracting services.

The Group intends to expand its in-house team of experience staff by recruiting additional qualified and experienced staff with environmental protection related knowledge or qualifications accredited by international professional bodies to facilitate its business development for the contracting services. The Directors believe that this will enable us to undertake projects of larger scale and of higher complexity involving requirements on architectural conservation and energy saving or emphasis on reducing overall environmental impact.

The Group intends to recruit staff that possesses the relevant qualifications and experience for the application for registration as an RGBC as required under the Buildings Ordinance. An Authorised Signatory and a Technical Director are required for the application of RGBC under the Buildings Ordinance. For details, please refer to "Regulatory Overview – Licensing regime" in Appendix III to this document for further details. As at the Latest Practicable Date, none of the Group's key employees possessed the required qualifications and experience to act as an Authorised Signatory for an RGBC.

The Directors consider that the Group's success also depends considerably on its ability to provide value added services to our clients. We will continue to distinguish ourselves from other market players in the contracting services industry by further enhancing our design capability. The Group also intends to recruit a qualified and experienced interior designer and a sales professional with design background, in order to further enhance our integrated contracting services by providing additional designing service in our fitting-out work and renovation (including alteration and addition) work to our clients in our projects and exploring new clients.

For further details on the implementation of the above-mentioned business strategies of the Group, please refer to "Statement of business objectives and use of proceeds" in this document for further details.

REASONS FOR AND BENEFITS OF THE [REDACTED] AND THE [REDACTED]

1. To strengthen our cashflow position to pursue more new projects

As is common in our industry, our projects generally require us to have substantial cash outflow at the early stage of our projects as we are required to pay for the costs of materials and costs for engaging subcontractors while most of the cash inflow from our projects occurred at the later stage of the projects. Due to the different timing of cash inflow and cash outflow in our projects, where a significant amount of cash outflow is usually ahead of cash inflow at the early stage of our projects, we require significant amount of working capital to perform our ongoing projects. To manage our cashflow position, we would typically pursue new projects only if we have collected substantial portion of the contract sum under the ongoing projects that would enable us to pay for the expenses and provide surety bond, if required, in relation to the new projects. This has limited our ability in pursuing more new projects while performing ongoing projects. The Directors believe that the capital raised through the **[REDACTED]** would strengthen our cashflow position which in turn will enable us to pursue more new projects and/or projects of larger scale, in particular those which require us to provide surety bonds or those which has longer cash lag time.

2. To expand our capacity to undertake more projects

As new businesses are mostly obtained through tender invitation by clients, the Directors believe that client relationship is critical to our success. The duration of our projects generally ranges from six to 18 months. Given limitation to our resources, while we may have the capacity to serve our ongoing projects, we may anticipate shortage in capacity in handling new projects. In such case, we will adopt a strategy to raise our tender price to reduce the chances of success in winning the tender. The Directors believe that it is important for the Group to respond to, rather than declining, tender invitations with an aim to maintain close relationships with our clients notwithstanding that we have shortage in capacity. The Directors believe that by being a listed company, the Group will be able to expand its capacity to undertake more projects, in particular the larger scale projects, and reduce our need to adopt this strategy.

3. To strengthen our financial position as well as having a platform for continuous fund raising

Currently, the Group relies on external debt financings together with the internal funding generated from its profits as well as shareholders' capital injections for its business operations. The Group will be able to maintain a low gearing ratio by raising funds through the **[REDACTED]** for surety bonds as well as to implement its business expansion plan as disclosed in "Business – Business Strategies" in this document for further details. The **[REDACTED]** also provides a platform for the Group to raise further capital in the future.

Although the Group did not have significant indebtedness as at the Latest Practicable Date, we also believe that being a listed company would allow us to obtain debt financing with more favourable terms from financial institutions.

The Group has decided to apply for the **[REDACTED]** on the Stock Exchange after considered the benefits of the **[REDACTED]** as set out in this section. As listing in Hong Kong involves substantial expenses for engaging professional parties, the Group has obtained Pre-**[REDACTED]** Investment from a pre-**[REDACTED]** investor which provided immediate funding for the **[REDACTED]** expenses as well as additional capital for the Group's operation.

4. To enable the Group to further enhance its sustainability

As mentioned above in this section under "Business – Business Strategies – 1. Further developing the Group's contracting business – Enhancing our financial capabilities to undertake more projects" in this section, the surety bonds issued by the insurance companies normally require a personal indemnity given by the shareholders. Further, the current loan facilities are supported by personal guarantee provided by Mr. Chan, one of the Controlling Shareholders, and with properties owned by him and/or his family as collaterals. Proceeds from the **[REDACTED]** will offer us flexibility to opt to provide surety bonds issued by banks which shall not require personal indemnity and will enable us to take out loan facilities without personal guarantees and collaterals from our Controlling Shareholders. As such, the Directors, after also taking into account the factors stated in "Business – Sustainability of our business" below in this section, believe that pursuing the **[REDACTED]** and the **[REDACTED]** will enable the Group to further reduce its reliance on its Controlling Shareholders and its sustainability could be further enhanced.

5. To support the growth of our business and increase our competitiveness in the fitting-out and renovation industry

(i) Our clients mainly include property developers in respect of both Fitting-out Projects and Renovation Projects and, main contractors which were instructed by property developers to appoint us as the nominated subcontractor for fitting-out work for commercial premises and residential developments in respect of Fitting-out Projects. We believe that these clients may prefer to engage contractors which are listed companies with good reputation, sound internal control and corporate governance practice, transparent financial disclosures and regulatory supervision. The Directors consider that the **[REDACTED]** will enhance our corporate profile and our credibility with our clients, suppliers, subcontractors and banks. The Directors therefore believe that the **[REDACTED]** of the Company will strengthen our competitiveness in this respect.

(ii) In addition, some of our direct competitors in the fitting-out and/or renovation contracting industry have been listed on the Stock Exchange in the last two years. As listed companies, these direct competitors would have better access to funding and financing than us. The Directors believe that the **[REDACTED]** of the Company will allow us to maintain our competitiveness against our competitors.

6. To achieve a broader shareholder base

We believe that the **[REDACTED]** will enhance the liquidity of the Shares by achieving the listing status of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares that are privately held before the **[REDACTED]**. Furthermore, it may offer us a broader shareholder base which could lead to a more liquid market in the trading of the Shares.

SUSTAINABILITY OF OUR BUSINESS

According to the Frost & Sullivan Report, it is anticipated that the demand for fitting-out work and renovation (including alteration and addition) work in Hong Kong will continue to grow. The Directors are of the view that our business is sustainable based on the following factors:

(a) we have a proven track record as we achieved significant growth in both revenue and net profit during the Track Record Period;

(b) the growing market size for fitting-out and renovation works would continue to benefit the Group's future business development as increasing trend in new commercial and residential property developments would increase the demand for fitting-out and renovation work. Please refer to "Industry Overview – Market size of the fitting-out, renovation, alteration and addition works industry" for details of the trend of the growing market size;

(c) according to the Frost & Sullivan Report, the market size of fitting-out works in Hong Kong is estimated to grow at a CAGR of approximately 14.7% from 2015 to 2020; and the market size of renovation, alteration and addition works in Hong Kong is estimated to grow at a CAGR of approximately 18.4% from 2015 to 2020;

(d) as at the Latest Practicable Date, the Group was admitted to the tenderers lists of 12 listed property developers among which four are Hong Kong property developers listed as Hang Seng Index constituent stocks and we possess extensive technical skills and experience in providing contracting services which we believe are able to cater the needs of our major and potential clients; and

(e) according to the Frost & Sullivan Report, the demand for quality decoration design and fitting-out works in Hong Kong is on the rise and the property developers are embracing sophisticated and luxurious for the newly built residential units to cater to the needs of buyers. We believe that this provides us more potential business opportunities by creating the huge demand for new projects with relatively greater budget.

Although competition remains, the Directors expect that given the growth opportunities and growth magnitude in the Hong Kong building industry and our competitive strengths as disclosed in "Business – Competitive Strengths" above in this section which are in line with the factors of competition stated in "Industry Overview – Competitive landscape" in this document, the Directors consider that the Group is able to maintain its position in the market.

We have four projects in progress as at the Latest Practicable Date and all of which are scheduled to be completed during the period from the Latest Practicable Date to 31 March 2017. Further, the Group has submitted nine tenders from the period subsequent to 31 March 2016 up to the Latest Practicable Date. The result of tenders, if successful, will usually be made known to the Group within approximately two months to four months after submission.

As mentioned above in this section under "Business strategies – 1. Further developing the Group's contracting business – Strategic tendering approach for new clients", despite our effort to maintain a core group of recurring clients, we also intend to seek new clients in order to increase our client base in order to reduce our reliance on our major clients by actively participating in tendering or responding to tender invitations if the projects match with our scope of services. By doing so, the Directors believe that we are able to (i) maintain relationship with our existing clients and build relationship with potential clients; and (ii) manifest that we are active player in the market so as to retain the popularity of the Group in the building industry.

During the Track Record Period, there were six new clients which generated revenue of HK$18.5 million and HK$74.6 million, representing 22.7% and 41.3% of the total revenue, for the two years ended 31 March 2015 and 2016, respectively. Further details regarding our client base are set out in "Business – Client – Client concentration" in this section.

CONTRACTS ENTERED INTO DURING THE TRACK RECORD PERIOD

During the Track Record Period, we entered into 10 and five contracts for the years ended 31 March 2015 and 2016, respectively.

The following table sets forth a summary of our contracts entered into during the Track Record Period:

For the year ended 31 March 2015

	Project type	Particulars of the contract	Client	Construction period (Note 1)	Contract sum (Note 2) HK$'000
1	Renovation Project	Renovation work of toilets at a grade A office building in Wan Chai	Client A	November 2014 to September 2016	77,000
2	Renovation Project	Renovation and alteration and addition work of a hotel in West Kowloon	Client B	December 2014 to June 2015	70,130
3	Fitting-out Project	Fitting-out work of typical flats and floors for a residential development in Western District	Client C	November 2014 to July 2016	36,174
4	Fitting-out Project	Fitting-out work of houses for a residential development in New Territories	Client B	December 2014 to August 2015	28,115
5	Fitting-out Project	Fitting-out work of a clubhouse in New Territories	Client D	December 2014 to November 2015	3,673
6	Fitting-out Project	Fitting-out work of houses for a residential development in New Territories	Client E	January 2015 to May 2015	891
7	Renovation Project	Renovation work of a retail store in Causeway Bay	Client F	November 2014 to November 2014	670
8	Renovation Project	Renovation work of a jewellery shop	Client G	April 2014 to May 2014	167
9	Fitting-out Project	Temporary work for a new retail building in Tsim Sha Tsui	Client H	August 2014 to September 2014	351
10	Renovation Project	Renovation work of restaurant in Central	Client I	September 2014 to September 2014	119
Total					217,290

For the year ended 31 March 2016

	Project type	Particulars of the contract	Client	Construction period (Note 1)	Contract sum (Note 2) HK$'000
1	Renovation Project	Renovation and alteration and addition work of a hotel in Western District	Client J	August 2015 to April 2016	34,000
2	Renovation Project	Renovation work of a grade A office in Central	Client K	December 2015 to February 2016	16,123
3	Fitting-out Project	Fitting-out work of entrance lobbies of a residential development in New Territories	Client D	March 2016 to September 2016	10,459
4	Renovation Project	Renovation work of a shopping mall in New Territories	Client B	July 2015 to August 2015	3,642
5	Renovation Project	Renovation work of a hotel in West Kowloon	Client B	December 2015 to January 2016	1,780
Total					66,004

Notes:

1 Date of commencement refers to the date of commencement of the project as stated in the contract entered into between the Group and our client or our letter of intent/letter of award or date of site possession and date of completion refers to the date of practical completion of the project as stipulated on the certificate of practical completion issued by our client or the estimated completion date based on the work schedule.

2 Contract sum includes the original awarded contract sum plus any variation orders issued/confirmed prior to the Latest Practicable Date.

The following table sets out the range of contract sum, which includes contingency and/or provisional contract amount, of the 10 and five projects we entered into during the Track Record Period.

	Contract sum per project with engagement confirmed During the year ended 31 March 2015 HK$'000	2016 HK$'000
Maximum	77,000	34,000
Minimum	119	1,780
Average	21,729	13,201

The average contract sum per project we entered into decreased by approximately 39.2% from approximately HK$21.7 million for the year ended 31 March 2015 to HK$13.2 million for the year ended 31 March 2016. Such decrease was mainly due to the entering of a few projects with a relatively high contract sum, such as the renovation work of toilets at a grade A office building in Wan Chai and renovation (including alteration and addition) work of a hotel in West Kowloon, during the year ended 31 March 2015.

Set out below is the breakdown of the projects we entered into during the Track Record Period by range of contract sum:

	Number of projects with engagement confirmed For the year ended 31 March	
	2015	2016
HK$50,000,000 or above	2	–
HK$10,000,000 to below HK$50,000,000	2	3
HK$1,000,000 to below HK$10,000,000	1	2
Below HK$1,000,000	5	–
	10	5

The number of contracts we entered into decreased from 10 for the year ended 31 March 2015 to five for the year ended 31 March 2016 mainly because we adopted a strategy to raise our tender price for some projects as we undertook a few major projects and experienced shortage in capacity, which was reflected in (i) increased number of projects that recognised over HK$10 million in revenue from two projects for the year ended 31 March 2015 to six projects for the year ended 31 March 2016. Please refer to "Projects with revenue recognition during the Track Record Period" in this section for further details; and (ii) decrease in our success rate in attaining engagements for projects tendered decreased from 14.3% for the year ended 31 March 2015 to 11.4% for the year ended 31 March 2016. Please refer to "Business – Sales and marketing" below in this section for further details.

PROJECTS WITH REVENUE RECOGNITION DURING THE TRACK RECORD PERIOD

During the Track Record Period, there were 18 and 19 projects with revenue contribution for each of the year ended 31 March 2015 and 2016, respectively.

The following table sets forth a summary of our projects with revenue contribution during the Track Record Period:

For the year ended 31 March 2015

	Project type	Scope of work	Client	Construction period *(Note 1)*	Contract sum *(Note 2)* *(HK$'000)*	Amount recognised during the year ended 31 March 2015 *(HK$'000)*	Percentage to total revenue %
1	Renovation Project	Renovation and alteration and addition work of a hotel in West Kowloon	Client B	December 2014 to June 2015	70,130	43,485	53.2 *(Note 3)*
2	Renovation Project	Renovation work of toilets at a grade A office building in Wan Chai	Client A	November 2014 to September 2016	77,000	14,530	17.8 *(Note 3)*
3	Fitting-out Project	Fitting-out work of typical flats and floors for residential units in West Kowloon	Client L	April 2013 to September 2014	60,119	6,908	8.5 *(Note 3) (Note 5)*
4	Fitting-out Project	Fitting-out work of houses for a residential development in New Territories	Client B	December 2014 to August 2015	28,115	5,480	6.7 *(Note 3)*
5	Fitting-out Project	Fitting-out work of typical flats and floors for a residential development in Western District	Client C	November 2014 to July 2016	36,174	2,777	3.4 *(Note 3)*
6	Fitting-out Project	Fitting-out work of typical flats for a residential development in West Kowloon	Client B	January 2014 to August 2014	2,652	2,578	3.2 *(Note 5)*
7	Renovation Project	Renovation work of a learning centre	Client M	November 2013 to July 2014	6,087	2,413	3.0 *(Note 5)*
8	Renovation Project	Renovation work of a retail store in Causeway Bay	Client F	November 2014 to November 2014	670	649	0.8 *(Note 5)*
9	Fitting-out Project	Fitting-out work of houses for a residential development in New Territories	Client E	January 2015 to May 2015	891	591	0.7
10	Renovation Project	Renovation work of a shopping arcade in Causeway Bay	Client B	June 2012 to September 2013	50,948	552	0.7
11	Fitting-out Project	Fitting-out work of a clubhouse in New Territories	Client D	December 2014 to November 2015	3,673	376	0.5
12	Fitting-out Project	Temporary work for a new retail building in Tsim Sha Tsui	Client H	August 2014 to September 2014	351	351	0.4 *(Note 5)*
13	Renovation Project	Renovation work of a beauty shop in Causeway Bay	Client N	April 2014 to May 2014	577	330	0.4 *(Note 5)*
14	Fitting-out Project	Fitting-out work of a clubhouse in Mongkok	Client O	January 2013 to August 2013	9,763	239	0.3
15	Renovation Project	Renovation work of a retail store in Central	Client F	October 2013 to December 2013	3,199	139	0.1
16	Renovation Project	Renovation work of a jewellery shop	Client G	April 2014 to May 2014	167	131	0.1 *(Note 5)*
17	Renovation Project	Renovation work of restaurant in Central	Client I	September 2014 to September 2014	119	119	0.1 *(Note 5)*
18	Renovation Project	Renovation work of a grade A office in Central	Client K	October 2012 to December 2012	2,525	13	0.1
					Total	81,661	100.0

For the year ended 31 March 2016

	Project type	Scope of work	Client	Construction period (Note 1)	Contract sum (Note 2) (HK$'000)	Amount recognised during the year ended 31 March 2016 (HK$'000)	Percentage to total revenue %	Amount expected to be recognised subsequent Track Record Period
1	Renovation Project	Renovation work of toilets at a grade A office building in Wan Chai	Client A	November 2014 to September 2016	77,000	37,836	21.0	24,634 (Note 4)
2	Fitting-out Project	Fitting-out work of typical flats and floors for a residential development in Western District	Client C	November 2014 to July 2016	36,174	33,107	18.3	290 (Note 4)
3	Renovation Project	Renovation and alteration and addition work of a hotel in Western District	Client J	August 2015 to April 2016	34,000	31,409	17.4	2,591 (Note 4)
4	Fitting-out Project	Fitting-out work of houses for a residential development in New Territories	Client B	December 2014 to August 2015	28,115	21,979	12.2	656 (Note 4) (Note 5)
5	Renovation Project	Renovation and alteration and addition work of a hotel in West Kowloon	Client B	December 2014 to June 2015	70,130	21,960	12.2	4,685 (Note 4) (Note 5)
6	Renovation Project	Renovation work of a grade A office in Central	Client K	December 2015 to February 2016	16,123	16,123	8.9	– (Note 5)
7	Renovation Project	Renovation work of a shopping arcade in Causeway Bay	Client B	June 2012 to September 2013	50,948	3,668	2.0	–
8	Renovation Project	Renovation work of a shopping mall in New Territories	Client B	July 2015 to August 2015	3,642	3,642	2.0	– (Note 5)
9	Fitting-out Project	Fitting-out work of a clubhouse in New Territories	Client D	December 2014 to November 2015	3,673	3,297	1.8	– (Note 5)
10	Fitting-out Project	Fitting-out work of typical flats and floors for residential units in West Kowloon	Client L	April 2013 to September 2014	60,119	2,054	1.1	–
11	Renovation Project	Renovation of a hotel in West Kowloon	Client B	December 2015 to January 2016	1,780	1,780	1.0	– (Note 5)
12	Fitting-out Project	Renovation work of typical flats and floors for a residential development in Wan Chai	Client P	January 2010 to September 2011	14,421	1,401	0.8	–
13	Fitting-out Project	Fitting-out work of show flats and sales office in Kowloon	Client Q	November 2012 to January 2013	9,964	1,263	0.7	–
14	Fitting-out Project	Fitting-out work of houses for a residential development in New Territories	Client E	January 2015 to May 2015	891	300	0.1	– (Note 5)
15	Fitting-out Project	Fitting-out work of show flats in Mid-Levels	Client R	July 2011 to November 2011	2,981	286	0.1	–
16	Fitting-out Project	Fitting-out work of clubhouse in Mongkok	Client O	January 2013 to August 2013	9,763	193	0.1	–
17	Renovation Project	Renovation work of a retail store in Central	Client F	October 2013 to December 2013	3,199	36	0.1	–
18	Renovation Project	Renovation work of a jewellery shop	Client G	April 2014 to May 2014	167	36	0.1	–
19	Renovation Project	Renovation work of a retail store in Causeway Bay	Client F	November 2014 to November 2014	670	21	0.1	–
					Total	180,391	100	

Notes:

1 Date of commencement refers to the date of commencement of the project as stated in the contract entered into between the Group and our client or our letter of intent/letter of award or date of site possession and date of completion refers to the date of practical completion of the project as stipulated on the certificate of practical completion issued by our client or the estimated practical completion date based on the work schedule.

2 Contract sum includes the original awarded contract sum plus any variation orders issued/confirmed prior to the Latest Practicable Date.

3 These projects represented the top five projects with the highest revenue contribution to the Group, contributing to approximately 89.6% of the total revenue, for the year ended 31 March 2015.

4 These projects represented the top five projects with the highest revenue contribution to the Group, contributing to approximately 81.1% of the total revenue, for the year ended 31 March 2016.

5 These projects had been completed during the respective financial year.

The following table sets out the range of revenue recognised during the year for the projects with revenue contribution for each of the years ended 31 March 2015 and 31 March 2016.

	Revenue recognised during the year per project with revenue contribution During the year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Maximum	43,485	37,836
Minimum	13	21
Average	4,537	9,494

The average revenue recognised per project increased by approximately 109.3% from approximately HK$4.5 million for the year ended 31 March 2015 to HK$9.5 million for the years ended 31 March 2016, mainly because of a few major projects, such as the (i) renovation work of toilets at a grade A office building in Wan Chai and (ii) the fitting-out work of typical flats and floors for a residential development in Western District, that recognised great portions of revenue during the year ended 31 March 2016.

Set out below is the breakdown of the projects with revenue contribution during the Track Record Period by range of revenue recognised:

	Number of projects with revenue contribution For the year ended 31 March	
	2015	**2016**
HK$10,000,000 to below HK$50,000,000	2	6
HK$1,000,000 to below HK$10,000,000	5	7
Below HK$1,000,000	11	6
	18	19

Although the number of projects with revenue contribution remained stable during the Track Record Period, the number of projects that recognised over HK$10 million in revenue had increased from two projects for the year ended 31 March 2015 to six projects for the year ended 31 March 2016, which contributed to the significant growth in the Group's revenue. For further analysis of the projects that contributed to the Group's revenue during the Track Record Period, please refer to "Financial Information – Comparison of results of operation – Revenue" in this document for further details.

During the Track Record Period, there were two loss-making projects. The aggregated loss for these projects was immaterial. Net loss were recorded for these two projects mainly because these projects were tendered at a lower price for developing business relationship with clients. Save as disclosed above, the Group did not have any other loss-making projects during the Track Record Period and up to the Latest Practicable Date.

PROJECTS IN PROGRESS AND COMPLETED PROJECTS WITH REVENUE RECOGNISED AFTER TRACK RECORD PERIOD

Projects in progress

As at the Latest Practicable Date, the Group had a total of four projects in progress (including projects that have commenced but not completed and projects that have been awarded to the Group but not yet commenced). The following table sets out a summary of such projects in progress:

	Project type	Particulars of the contract	Client	Estimated completion date	Contract sum (Note 1)	Percentage of completion as at Latest Practicable Date (Note 2)	Revenue expected to be recognised after the Track Record Period (Note 3)
					(HK$'000)	*%*	*(HK$'000)*
1	Renovation Project	Renovation work of toilets at a grade A office building in Wan Chai	Client A	September 2016	77,000	68%	24,634
2	Fitting-out Project	Fitting-out work of entrance lobbies of a residential blocks development in New Territories	Client D	September 2016	10,459	0%	10,459 (Note 4)
3	Fitting-out Project	Fitting-out work of typical flats and floors for a residential development in Western District	Client C	July 2016	36,174	99%	290
4	Fitting-out Project	Fitting-out work of clubhouse and entrance lobbies for a residential development in Kowloon City	Client S	January 2017	61,700	0%	61,700 (Note 5)
						Total	97,083

Completed projects with revenue recognised after Track Record Period

	Project type	Particulars of the contract	Client	Contract sum (Note 1) (HK$'000)	Revenue expected to be recognised after the Track Record Period (Note 3) (HK$'000)
1	Renovation Project	Renovation and alteration and addition work of a hotel in Western District	Client J	34,000	2,591
2	Fitting-out Project	Fitting-out work of houses for a residential development in New Territories	Client B	28,115	656
3	Renovation Project	Renovation and alteration and addition work of a hotel in Western Kowloon	Client B	70,130	4,685
				Total	7,932

As at the Latest Practicable Date, the Group had a total of three completed projects but with revenue recognised after the Track Record Period. Two of these projects was completed (based on the certificate of practical completion) during the Track Record Period and the other was completed (based on the certificate of practical completion) after the Track Record Period. The amount of revenue to be recognised for these projects were not yet confirmed with the client until subsequent to 31 March 2016.

Notes:

1 Contract sum includes the original contract sum plus any variation orders issued/confirmed prior to the Latest Practicable Date.

2 Percentage of completion is calculated based on revenue recognised for the year ended 31 March 2016 (being the latest date to which our audited accounts was made up) divided by contract sum.

3 Amount of revenue expected to be recognised for each project is calculated by subtracting the amount of revenue recognised from the project up to the Latest Practicable Date from the respective contract sum.

4 No revenue was recognised for the fitting-out work of entrance lobbies for a residential development in New Territories during the Track Record Period and therefore it is not on the list of projects with revenue contribution during the Track Record Period.

5 The fitting-out work of clubhouse and entrance lobbies for a residential development at Kowloon City was awarded subsequent to 31 March 2016.

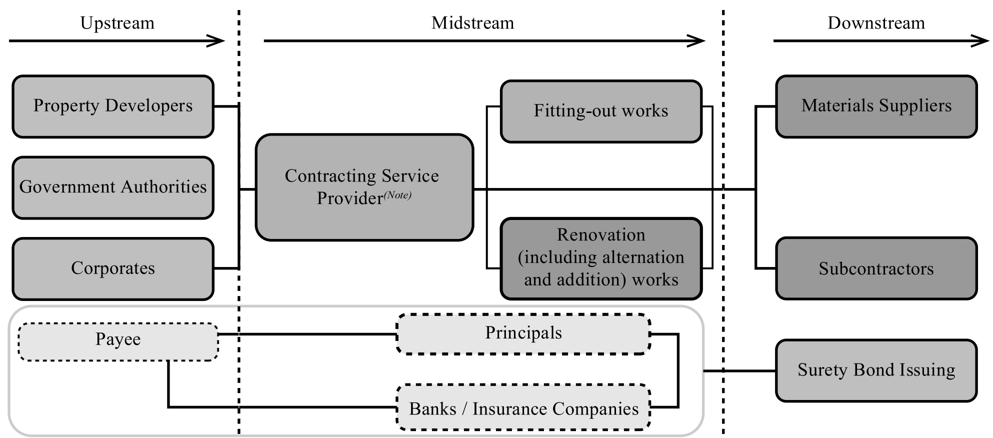
As at the Latest Practicable Date, the Group had a total of four projects in progress and three completed projects with revenue to be recognised for the year ending 31 March 2017 amounting to approximately HK$105.0 million.

Recent contracts awarded

Subsequent to 31 March 2016 and up to the Latest Practicable Date, the Group has been awarded one new contract of a Fitting-out Project for the fitting-out work of the clubhouse and entrance lobby for a residential development in Kowloon City with an aggregated contract sum of approximately HK$61.7 million.

BUSINESS MODEL

The Group is principally engaged in the provision of fitting-out and renovation (including alteration and addition) contracting services of Hong Kong premises.

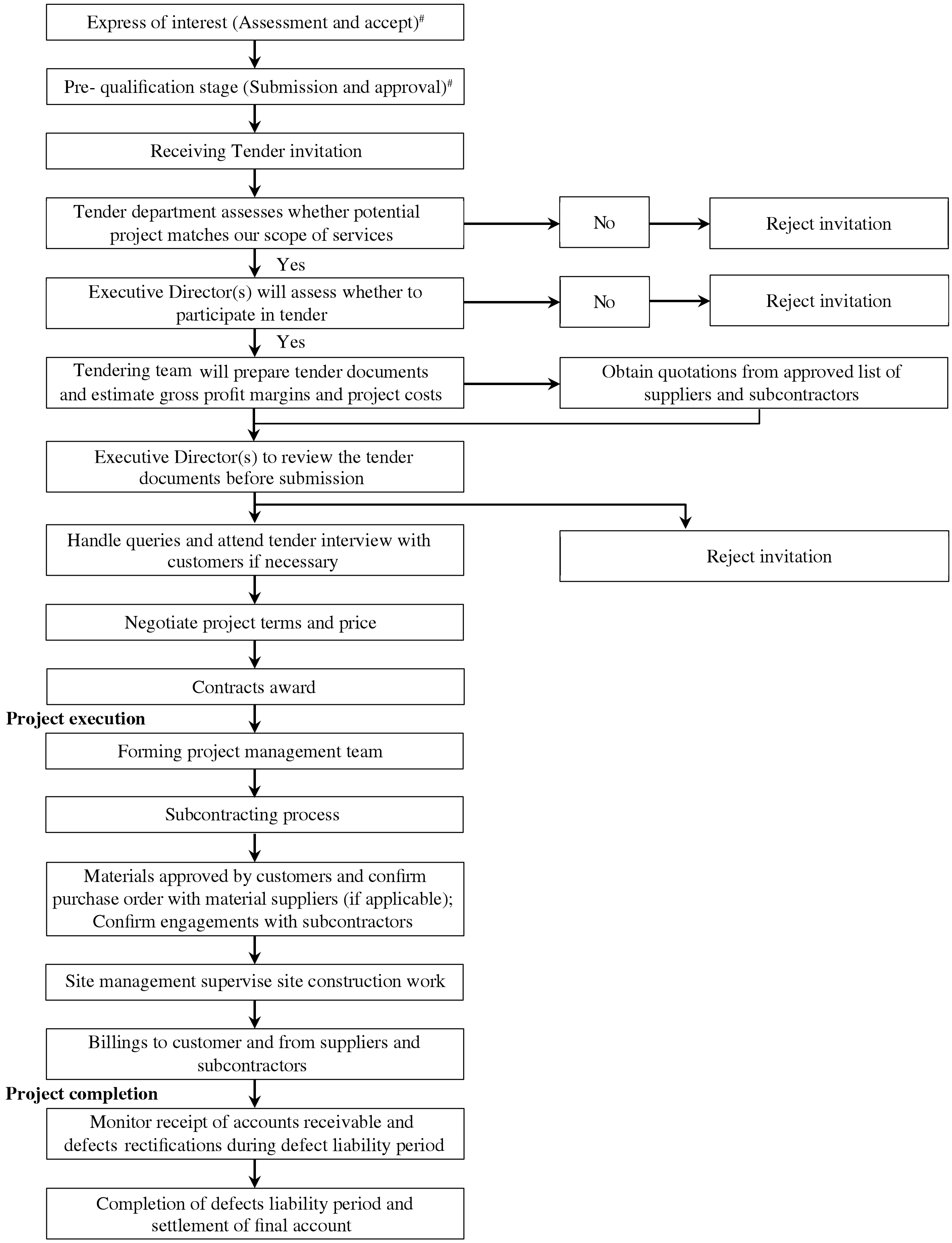


Note: Either in the capacity as main contractor or subcontractor.

OPERATING PROCEDURES

The following diagram summaries the principal steps of the workflow in a typical transaction in respect of the Group's contracting services for both Fitting-out Projects and Renovation Projects:

Project review, invitation for tendering, assessment and preparation of tender



\# *Applicable for new clients only*

The tendering process, from receiving the tender invitation until the client awarding the contract normally takes between one to three months. The project duration is mainly determined by, apart from the time taken for submission of tender and award of contract, (i) the time specified by the client which is in turn based on the size, complexity and technical features of the project; and (ii) the result of certification of work done and subsequent modifications required to obtain certification for payment.

Project review, invitation for tendering, assessment and preparation of tender

For each potential project, we will evaluate such project based on whether it matches with our scope of services. If the opportunity fits our scope of services, the potential project will be submitted to our executive Directors who will assess the costs and benefits of undertaking the potential project. Our tender team, which includes members from the quantity surveyor department and project management department, will assist in the preparation of tender documents. Our executive Directors is responsible for making the final decision on whether to submit the quotation, based on various factors, including but not limited to, the project timetable, the human resources available, the estimated gross profit margin, the relationship with and reputation of the potential client and the market conditions at the time of submission.

The Group is mainly invited by its client (either the property developer itself or its consultant/ architect, or its main contractor) to submit a tender, or is sometimes invited to provide a quotation, for a potential project. The Group is provided with the tender invitation which contains the work specifications and drawings. Please refer to "Business – Sales and marketing" below in this section for further details of the Group's success rates in attaining engagements for projects tendered and quoted.

Upon receiving an invitation for tender, the tendering team will review the request for tender with respect to the scope of work, complexity, difficulty, costing, time frame and similar projects completed by the Group before, for the assessment of the project and preparation of the tender which sets out, among other things, project organisation chart, work plan and programme as well as the tender price.

The review process mainly includes (i) studying and understanding the scope of work required for in the project; (ii) reviewing drawings and specifications to estimate the feasibility of undertaking such project based on the technical requirements, expected completion time and possible risks associated with such project; (iii) clarifying any ambiguities and inconsistencies in the relevant documents such as drawings and specifications with the potential clients; and (iv) obtain preliminary quotations from our material suppliers and subcontractors to estimate our project costs.

Quantity surveying manager will seek for executive Director's decision of tender submission. Once the decision of submitting the tender is made, the quantity surveyor will conduct a thorough review of the tender documents to ensure that (i) the client's requirements are clearly defined; and (ii) the Group has the necessary licenses, resources, and funding to meet the client's requirements.

Based on the tender invitation from the client, the quantity surveyor or procurement officer will seek for quotations from various material suppliers and subcontractors on the approved list of material suppliers/ subcontractors or specified material suppliers/subcontractors in tender document to estimate the cost of materials and sub-letting required for the whole project. A tender cost summary, which includes all the breakdowns of all items to estimate the profits and costs of the project, will be prepared by the quantity surveyor based on the most suitable quotation from various materials suppliers and subcontractors. The executive Director is responsible for making the final decision on the mark-up of the project, based on factors such as: industrial competition, cost movement trend, client's background and track record, cash flow requirement, necessary licenses and resources.

Tender submission should be reviewed by the senior operating manager and project secretary and approved by the executive Director with signature. The time allowed by the potential client to prepare the tender is specified in the invitation to tender and varies from case to case. Generally, it takes about one to four weeks from receipt of tender invitation to submission of the tender documents.

Subsequent to the submission of tender documents, the client may by way of interviews or enquiries clarify with the Group the particulars of the tender. Based on the tender submitted by the Group, the client may further negotiate with the Group on the commercial and technical terms.

The client then confirms the awards of contract to the Group in the form of letter of award or letter of intent which requires countersigning by the Group, or a contract to be entered into between the Group and the client. The letter of award together with the tender submitted by the Group and any annexations to the letter of award, including the tender documents, tender addenda and post-tender correspondence (e.g. submission of work schedule, execution plan and resources deployment schedule), constitute a contract between the Group and the client.

Project execution

Formation of project management team

Once a contract is awarded, the project manager will form a particular project management team for the project within the project management team department. The project manager will be responsible for the overall management of the project. The project will be implemented, including the arrangement of subcontractors and the sourcing of materials, in accordance with the work plan and the programme as contained in the tender document. The project management team will also review the designs and provide advice to the client or its consultant as necessary.

Subcontracting

In both Fitting-out Projects and Renovation Projects, the Group engages subcontractors to perform most of the site work. Such subcontracting arrangement is also known as subletting. The project manager of a project oversees the execution of the subletting strategy based on the cost plan of the respective project. As site work for alteration and addition, maintenance, specialist work and new development are in general labour intensive, the use of subcontractors allow the Group to undertake at the same time multiple projects that are labour intensive and/or require workers with specific skills/licences, which in turn enable the Group to deploy its resources in a more cost effective manner. Please refer to "Business – Suppliers and subcontractors – Criteria for selecting subcontractors and material suppliers – Subletting procedure" in this section for further details on the subletting process.

The Group maintains an approved list of subcontractors which is updated on a continuous basis and reviewed annually at year end. As at the Latest Practicable Date, the Group maintained a list of more than 60 approved subcontractors. Please refer to "Business – Suppliers and subcontractors – Criteria for selecting subcontractors and material suppliers – Basis of selecting subcontractors and material suppliers" in this section for further details on the Group's engagements with subcontractors and suppliers. To the best of the Directors' knowledge and belief, all of the subcontractors on the approval list as at the Latest Practicable Date were Independent Third Parties.

Material procurement

Materials are sourced by the Group and/or its subcontractors depending on the nature and requirements of the project. Common materials used in the Group's projects include bricks, concrete blocks, cement, aggregate, sand, wall paper, fabric, metal, glass, sanitary fittings, lightings, tiles, ironmongery and stainless steel sheets. Materials may be sourced by subcontractors if it is more cost-effective for such materials to be provided by the subcontractors directly. The costs of such material if provided by the subcontractors, are included in the subcontracting charges.

To ensure the quality of the materials sourced by both itself and the subcontractors, the project management team will also be responsible for conducting quality control on materials used in its projects. All materials sourced will be stored at the work site where the work are carried out for direct utilisation. Storage of sufficient quantity of materials at the site will be determined by the Group based on the work schedule and the storage area available to avoid disruption to site work. Please refer to "Business – Suppliers and subcontractors – Criteria for selecting subcontractors and material suppliers – Procurement of material" in this section for further details on the procurement of materials.

Work supervision and inspection

During the course of the execution of the site work, the project manager or the designated member of the project management team will carry out site inspection to monitor the work progress and the quality of work from time to time and report the work progress on a weekly/bi-weekly/monthly basis (depends on the nature of the project) to ensure the work performed are in conformity with the requirements as set out in the relevant contract. The project team will assign dedicated in-house staff to supervise the subcontractors and the workers assigned by the subcontractors, who will report the project progress to the project management team on an ongoing basis. Clients of the Group and/or their consultants also assign personnel to supervise the execution of site work and monitor the project progress. The project team of the Group and the client will hold meeting from time to time to follow up the project progress and issues encountered. The project management team will ensure that the execution of the site work comply with all the statutory requirements in connection with the work, safety, environmental and other relevant laws and regulations. Please refer to "Business – Suppliers and subcontractors – Control on subcontractors" in this section for further details on the supervision and inspection of the site work performed by our subcontractors.

Application for payment and certification

Based on the amount of work completed, the Group makes progress payment application to the client pursuant to the terms of the contract which sets out the amount of work done and the corresponding value of such work done. Upon receiving the progress payment application, the client or its consultant will examine the portion of work completed and would issue a payment certificate after the examination which normally takes around seven to 45 days from the date of progress payment application. The Group will then proceed to invoice the client with the payment certificate received. In general, our client retain 10% of each interim payment as retention money, which is generally capped at 5% of the total contract sum, in accordance with the terms of the contract.

Practical completion

Upon completion of the work under the contract, the client or its consultant will examine the work done and, subject to the certification that all work are completed to the satisfaction of the client with major defects and outstanding items duly rectified/provided, issue a certificate of practical completion. Depending on the terms of the contract, a defect liability period which is generally 12 months from the date of the certificate of practical completion is usually provided by the Group. During the defect liability period, the Group is responsible for, at its own expense, rectifying any defects of work carried out by the Group. At the end of the defect liability period, a certificate of completion of making good defects is generally issued to officially release the duty of the Group in relation to such project.

Retention monies withheld by clients are generally released as to 50% upon the issue of practical completion certificate and as to the remaining 50% upon issuance of the certificate of making good defects or like confirmation document after the defect liability period expiration. Please refer to "Clients – General terms of engagement with clients – (v) Retention monies" in this section for further details.

LICENCES AND PERMITS

As advised by the Legal Counsel, the Group is not required to obtain any requisite licences, permits or approval other than the business registration for the execution of the site work, given that the Group subcontracts those site work requiring licences, permits or approval to subcontractors who hold the requisite licences, permits or approval for all Fitting-out Projects and the Renovation Projects.

For Renovation Projects that requires alteration and additions work, the Group would further appoint external RGBC for monitoring and supervision of the relevant site work, for the structural elements of any building work as required under the Buildings Ordinance. During the Track Record Period, there were two Renovation Projects that required the Group to appoint external RGBC for the years ended 31 March 2015 and 2016, respectively.

CLIENTS

Characteristics of the Group's clients

For Fitting-out Projects, our clients mainly include property developers and main contractors which were instructed by property developers to appoint us as the nominated subcontractor, such as the Group, for fitting-out work for commercial and residential developments. For Renovation Projects, our clients mainly include property developers, landlords, government authority, international retail brand and renowned local retailer for renovation work and alteration and addition work for commercial premises, including hotels, grade A office premises and shops.

The Directors believe that clients may choose to engage the Group for its capability to provide integrated contracting services from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance, and to offer value-added services such as providing advices on designs.

Instead of direct appointment of a subcontractor by main contractors, property developers may nominate a certain subcontractor and direct its main contractor to engage the nominated subcontractor to execute particular works. Where we are selected and nominated by a property developer as a nominated subcontractor, we will enter into a nominated contract with the main contractor of the property developer. Usually, the scope of work, term and price of the services to be provided by a nominated subcontractor are pre-negotiated by the property developer.

Top clients

For each of the two years ended 31 March 2015 and 2016, the percentage of revenue contributed by the five largest clients combined amounted to approximately 95.7% and 91.0%, respectively, while the percentage of revenue contributed by the largest client amounted to approximately 63.1% and 25.3%, respectively.

Set out below is a breakdown of the Group's revenue by major clients in terms of revenue contribution:

For the year ended 31 March 2015:

Rank	Client	Revenue	As % of total revenue
		HK$'000	*%*
1	Client B	51,543	63.1
2	Client A	14,530	17.8
3	Client L	6,908	8.5
4	Client C	2,777	3.4
5	Client M	2,413	3.0
	Five largest clients combined	78,171	95.7
	All other clients	3,490	4.3
	Total revenue	81,661	100.0

For the year ended 31 March 2016:

Rank	**Client**	**Revenue**	**As % of total revenue**
		HK$'000	*%*
1	Client B	45,718	25.3
2	Client A	37,836	21.0
3	Client C	33,107	18.4
4	Client J	31,409	17.4
5	Client K	16,098	8.9
	Five largest clients combined	164,168	91.0
	All other clients	16,223	9.0
	Total revenue	180,391	100.0

The table below sets forth the background information of the Group's top clients mentioned in the above table:

Client *(Note 1)*	**Services provided by the Group**	**Business**	**Location**	**Years of business relationship**
Client B *(Note 2)*	Fitting-out, Renovation and alteration and addition	Property development company	Hong Kong	8
Client A *(Note 3)*	Renovation	Property management company	Hong Kong	2
Client L *(Note 4)*	Fitting-out	Construction company	Hong Kong	3
Client C *(Note 5)*	Fitting-out	Construction company	Hong Kong	2
Client M *(Note 6)*	Renovation	Education institute	Hong Kong	7
Client J *(Note 7)*	Renovation and alteration and addition	Hotel	Hong Kong	8
Client K *(Note 8)*	Renovation	Government authority	Hong Kong	4

Notes:

1. The client and/or its subsidiaries.

2. Client B is one of the leading property developers in Hong Kong listed on the Main Board of the Stock Exchange. Client B is principally engaged in property rental, property sales, hotel operations, management services, share investment and dealing, and financing.

3. Client A is a property management company of a Grade A office located in Wan Chai, Hong Kong. Majority ownership of such Grade A office building is held by two leading Hong Kong listed property developers.

4. Client L is a subsidiary of a listed construction company in Hong Kong. Client L is principally engaged in foundation, civil engineering and general building works in Hong Kong. Client L was instructed by the property developer to engage us as the nominated subcontractor to execute the Fitting-out works.

5. Client C is a subsidiary of a listed construction company in Hong Kong. Client C is principally engaged in building construction, civil engineering, electrical and mechanical installation, interiors and special projects, property development and investment, and provision of property and facility management services. Client C was instructed by the property developer to engage us as the nominated subcontractor to execute the Fitting-out works.

6. Client M is a educational service provider and is also a registered school under the education bureau in Hong Kong.

7. Client J is trading as a hotel in Hong Kong.

8. Client K is a government authority in Hong Kong.

None of the Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest in any of the five largest clients of the Group during the Track Record Period.

To the best knowledge and belief of the Directors, none of the Group's five largest clients of the Group during the Track Record Period is also a supplier of the Group.

Client concentration

The Group's top five clients accounted for approximately 95.7% and 91.0% of its total revenue for each of the two years ended 31 March 2015 and 2016, respectively while approximately 63.1% and 25.3% of the Group's total revenue were attributable to its largest client for each of the two years ended 31 March 2015 and 2016 respectively.

According to the Frost & Sullivan Report, it is common for contractors for fitting-out work and renovation (alteration and addition) work to rely on a few clients and such client concentration is not uncommon for these kind contractors in Hong Kong. The Directors consider that the Group's business model is sustainable despite such client concentration due to the following factors:

- Due to the nature of the industry for fitting-out work in which the Group is engaged in for its Fitting-out Projects, our client base is relatively concentrated to property developers and main contractors, which is not uncommon in the industry, according to the Frost & Sullivan Report. As a result, given the market landscape of the fitting-out industry in Hong Kong, the potential client base of the Group is limited.

- It is not uncommon for a single project, whether Fitting-out Project or Renovation Project, to have a large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. In addition, a project of sizeable scale can have a contract period of several years. Therefore, if we decide to undertake a certain project with large contract sum, the relevant client may easily become our largest client in terms of revenue contribution to us for more than one financial year.

- In the event that any of our major clients substantially reduce the number of contracts placed with us or terminates its business relationship with us, the Directors consider that we would have extra capacity to handle other potential projects from other clients in view of the expected growth of demand for fitting-out service, renovation service and alteration and addition service in Hong Kong and our competitive strengths as detailed in "Business – Competitive strengths" in this section.

- According to the Frost & Sullivan Report, the demand for fitting-out work, renovation work and alteration and addition work is expected to surge in the future. The estimated market size of fitting-out work in Hong Kong is anticipated to grow at a CAGR of approximately 14.7% from approximately HK$142.2 billion in 2015 to approximately HK$282.1 billion in 2020, and the estimated market size of renovation and alteration and addition work in Hong Kong is anticipated to grow at a CAGR of approximately 18.4% from approximately HK$46.4 billion in 2015 to approximately HK$108.1 billion in 2020.

- The years of business relationship with our five largest clients during the Track Record Period range from two to eight years and we will therefore endeavour to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future.

- Our Directors consider that we have a complementary business relationship with our major clients. We believe that our experience in fitting-out and renovation work has provided our client a proven track record that their projects are executed on time, within budget and in accordance with their quality standards.

- Despite our effort to maintain a core group of recurring clients, we also intend to seek new clients in order to reduce our reliance on our major clients by actively participating in tendering or responding to tender invitations if the projects match with our scope of services.

- During the Track Record Period, percentage of sales to our largest client decreased from 63.1% to 25.3% despite the percentage of our sales to our top five clients had remained relatively stable.

As set out in "Industry Overview – Fitting Out, Renovation, Alteration and Addition Works Industry in Hong Kong" in this document, although the pool of clients in our industry are not limited to listed property developers in Hong Kong, client concentration is not uncommon to market players such as the Group as it is often the case that projects with large contract sums are generated from property developers in Hong Kong. Despite the concentration of our client base, we have been successful in securing contracts from new clients to dilute our existing client base during the Track Record Period. During the Track Record Period, there were six new clients, including a member of a listed company, which generated revenue of 18.5 million and 74.6 million, representing 22.7% and 41.3% of the total revenue, for the two years ended 31 March 2015 and 2016, respectively, which demonstrated our effort to reduce our reliance on our existing clients.

Our Directors believe that new clients are usually referred to us by existing clients or by those with knowledge of our services and quality, or through personal and business contacts of our Directors. We also approach prospective clients from time to time to show our interest for being one of their approved contractors by introducing our background and industry experience. We are of the view that our previous job reference, expertise in relation to Fitting-out Projects and Renovation Projects, relationship with clients and our network in the industry are some of the important decision factors for our existing and potential clients in choosing us to be the preferred working party in pitching for construction projects from project employers. Moreover, the Directors believe that the net proceeds from the **[REDACTED]** will provide additional financial resources for the Group to solicit more businesses from prospective clients by recruiting sales personnel(s) with interior design background as mentioned above in this section under "Business strategies – 3. Further strengthening the Group's in-house team".

Pricing strategies

We adopt a cost-plus pricing model for our projects. Our projects are in general labour intensive and labour cost is one of the main components of the project costs. The pricing of the Group's contracting services are generally fixed in the terms of the contract. Pricing for either contracting service is carefully determined by the Group on a case-by-case basis taking into account various factors.

For the pricing of our projects, factors considered include (i) the complexity of site work or design work involved (as the case may be); (ii) the estimated amount of time and materials required and personnel to be involved; (iii) the estimated subcontracting cost based on the quotations from various suppliers and subcontractors; (iv) the payment term specified in the tender documents, (v) our available resources to take up new projects; (vi) any risk leading to extension of service period or additional manpower or cost; (vii) reference price of similar projects completed by the Group before; (viii) the current fee level in the market; and (ix) the competitive conditions of the contract negotiation stage.

Any material deviation of the actual time and resources spent from initial estimation may result in cost overruns which may in turn adversely affect the financial results of the Group.

The Group has adopted the following measures for all the projects to manage the risk of cost overruns:

(i) a cost plan is prepared for each project which sets out the cost target. Such cost plan is prepared by the quantity surveyor and procurement department and approved by the executive Director. Execution of the project, including subcontracting, is carried out in accordance with the cost plan; and

(ii) actual expenses incurred and cash flow status is monitored by the executive Director on an ongoing basis. Actual expenses incurred in the project are reported by the quantity surveyor and procurement team to the executive Directors and the account and finance department. Revisions to cost plan, which requires approval from the executive Director, the project director of the Group who is principally responsible for organisation, management and supervision of the Group's project, and/or one of the executive Directors, may be made in order to control the cost target of the project. To approve the revisions to cost plan, such revisions shall also (i) identify the causes of the increase in cost of the project; and (ii) set out the measures to be taken to control the cost of the project. Causes of increase in cost of a project may include, among others, revision of project schedule by the client, or delay in the work progress of subcontractors. Measures to be taken may include, as the case may be, requesting additional fees from the client in order to cover the additional costs incurred due to revision of project schedule, or closely supervising and reminding the subcontractors to catch up with the work progress in accordance with the project schedule.

General terms of engagement with clients

The following paragraphs set forth the terms typically included in our engagement with clients in respect of the contracting services.

(i) Nature and scope of work

The nature of work specifies the types of site work to be carried out and the scope of work specifies the areas/facilities that require such site work. The working procedures set out a list of work to be performed on each of the subject areas/facilities in details.

(ii) Duration of work

The duration of work sets out the time allowed to carry out the site work and the tentative date for possession and completion dates, also known as the date on which the site with all site work completed is handed back by the Group to the client, are stated.

(iii) Payment terms

The total contract sum awarded is clearly stated which is generally a fixed amount without any clause for price adjustment mechanism. Based on the amount of work completed, the Group makes progress payment application to the client which sets out the amount of work done and the corresponding value of such work done. The application is subject to examination by the client or its consultant appointed by the client and the issuing of a certification based on such examination approving the amount of work eligible for payment under the application. The examination for each application generally takes around seven to 45 days. The Group then proceeds to invoice the client with the supporting of the payment certificate. The Group generally offers an average credit period of 30 days to its clients for both Fitting-out Projects and Renovation Projects.

(iv) Termination

Some engagement for projects contains the rights to terminate by both parties to the engagement.

Conditions upon which the engagement may be terminated by the client may include (i) the Group suspending the carrying out of the work before completion without reasonable cause; (ii) the Group failing to proceed regularly and diligently with the work; and (iii) the winding-up of the Group having taken place.

Conditions upon which the engagement may be terminated by the Group generally may include (i) the client suspending the carrying out of the work for a specified period; (ii) the client becoming bankrupt, making a composition or arrangement with its creditors, or winding-up of the client having taken place.

(v) Retention monies

A certain percentage of each fee payment made by the clients to the Group, which is usually at the rate between 5% to 10% of each fee payment, with the total amount of retention monies withheld capped at 5% of the total contract sum, may be withheld by some clients as retention money and will be generally released as to 50% upon the issue of practical completion certificate and as to the remaining 50% upon receipt of certificate of making good defects at the end of the defect liability period. As at 31 March 2015 and 2016, retention monies receivable were approximately HK$7.8 million and HK$10.9 million, respectively.

(vi) Defect liability period

A defect liability period is generally 12 to 24 months from the date of the practical completion certificate. During the defect liability period, the Group is responsible for, at its own expense, rectifying any defective work provided by the Group.

(vii) Surety bonds

Our clients who are property developers may require the Group to provide a surety bond issued by a bank or insurance company in favour of them in addition to the retention monies. Surety bonds may be required by clients to safeguard the due performance of the contract by the Group. Retention monies are generally released in full upon issue of a certificate of making good defects at the end of the defect liability period

During the Track Record Period, the Group relied on its financial resources as well as the personal indemnity of Mr. Chan to provide a surety bond of HK$3.6 million issued by an insurance company in favor of one of its new client for a Fitting-out Project with a contract sum of HK$36.0 million, representing approximately 10% of the respective contract sum. Except for this project, the Group did not issue any surety bonds for its projects during the Track Record Period.

As mentioned in "Business Strategies – 1. Further developing the Group's contracting business – While it is common for property developers to require surety bonds from its contractors" in this document, the Group would generally try to negotiate with its property developer clients so that they would agree not to require the Group to provide surety bonds. As part of the tender negotiation process, the Group may offer a discount (up to 1.2% of the contract sum during the Track Record Period) to our fees to them. By adopting this strategy, we were able to free up more working capital for other projects without the need of providing surety bond to our clients.

During the Track Record Period, the Group was not required to make any compensation payments under the surety bonds due to its failure to perform any contracts in accordance with the terms therein.

(viii) Liquidated damages

Certain contracts include a liquidated damages clause stipulating that if the Group fails to complete the work set out in the contracts within the agreed timeframe which has not being approved for any extension of time and/or cause unnecessary delay to project completion that result in damages suffered by the client, the Group shall compensate the client for part or all of the incurred liquidated damages, based on the rate as set out in the contract. As at the Latest Practicable Date, a client sought to withhold HK$0.2 million liquidated damages from the contract sum of one project for late completion. We are currently negotiating with the client for an extension of time. Depending on the result of our negotiation with the client, the maximum amount of liquidated damages that may be withheld is HK$0.2 million. Saved as disclosed above, the Directors confirmed that no liquidated damages were claimed by our clients during the Track Record Period and up to Latest Practicable Date.

SUPPLIERS AND SUBCONTRACTORS

Characteristics of the Group's suppliers

During the Track Record Period, suppliers of goods and services which were specific to the business of the Group and were required on a regular basis to enable the Group to continue to carry on its business included:

(i) subcontractors engaged by the Group to perform the site work under the contracting services;

(ii) materials suppliers to supply materials used in the site work under the contracting services;

(iii) suppliers of other miscellaneous goods and services required for its business operations.

The Group did not experience any shortage of suppliers of goods and services and subcontractors during the Track Record Period.

The following table sets forth a breakdown of the Group's cost of services during the Track Record Period by nature:

	For the year ended 31 March			
	2015		2016	
	HK$'000	*%*	*HK$'000*	*%*
Subcontracting charges	43,376	64.8	112,006	75.3
Materials costs	7,822	11.7	13,569	9.1
Demolition and cleaning costs	3,383	5.1	11,842	8.0
Direct labour costs	8,247	12.3	7,573	5.1
Others	4,108	6.1	3,767	2.5
	66,936	100.0	148,757	100.0

As noted from the table above, subcontracting charges paid to subcontractors represents the largest component of the Group's cost of services for each year during the Track Record Period. Please refer to "Financial Information – Consolidated statements of profit or loss and other comprehensive income – Cost of services" in this document for a discussion of the fluctuation in cost of services during the Track Record Period as shown in the above table as well as relevant sensitivity analyses in this connection.

Top suppliers

For each of the two years ended 31 March 2015 and 2016, the percentage of cost of services attributable to the largest supplier, who is our subcontractor, amounted to approximately 16.8% and 13.3%, respectively, while the percentage of cost of services attributable to the five largest suppliers, all of which are our subcontractors, combined amounted to approximately 35.4% and 44.1%, respectively. Accordingly, the Directors consider that during the Track Record Period, the Group was not dependent on any single supplier.

All of the five largest suppliers for each year during the Track Record Period were subcontractors engaged by the Group to perform the site work.

Set out below is a breakdown of the Group's cost of services (excluding direct labour and associated costs) by major suppliers:

For the year ended 31 March 2015:

Rank	Supplier	Purchase	As % of cost of services
		HK$'000	*%*
1	Supplier A	11,272	16.8
2	Supplier B	3,460	5.2
3	Supplier C	3,012	4.5
4	Supplier D	3,000	4.5
5	Supplier E	2,932	4.4
	Five largest suppliers combined	23,676	35.4
	All other suppliers	43,260	64.6
	Total purchases	66,936	100.0

For the year ended 31 March 2016:

Rank	Supplier	Purchase	As % of cost of services
		HK$'000	*%*
1	Supplier A	19,810	13.3
2	Supplier D	15,218	10.2
3	Supplier C	12,472	8.4
4	Supplier F	10,319	6.9
5	Supplier E	7,760	5.2
	Five largest suppliers combined	65,579	44.1
	All other suppliers	83,178	55.9
	Total purchases	148,757	100.00

None of the Directors, their close associates, or any Shareholders who owned the share capital of the Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of the Group during the Track Record Period.

The table below sets forth the background information of the Group's top suppliers mentioned in the above tables:

Supplier	Types of suppliers	Services provided to the Group	Principal business	Location	Years of business relationship
Supplier A	Subcontractor	Carpentry work	Provision of carpentry work	Hong Kong	5
Supplier B	Subcontractor	Marble supply and installation work	Provision of marble work	Hong Kong	3
Supplier C	Subcontractor	Demolition work	Provision of demolition work	Hong Kong	6
Supplier D	Subcontractor	Marble supply and installation work	Provision of marble work	Hong Kong	5
Supplier E	Subcontractor	Electrical and mechanical engineering work	Provision of electrical and mechanical engineering service	Hong Kong	3
Supplier F	Subcontractor	Steel and metal work	Provision of steel and metal work	Hong Kong	7

The Group generally maintains multiple suppliers for services and materials to avoid over-reliance on a few suppliers and did not experience any material difficulties in sourcing materials or finding subcontractors during the Track Record Period. On 29 January 2016, the Group has commenced legal proceedings against a subcontractor which is one of our top five suppliers during the Track Record Period in the High Court of Hong Kong seeking, *inter alia*, damages and loss for breach of contracts in a total sum of approximately HK$7.7 million. Please refer to "Business – Litigations and Claims" in this section for further details. Save as disclosed above, the Directors confirmed that the Group did not have any significant disputes with any of its top five suppliers during the Track Record Period.

During the Track Record Period, all purchases in relation to raw materials were settled in Hong Kong dollars and in general settled by cheque. Credit terms offered by the Group's suppliers and subcontractors is generally 30 days from the date of invoice.

Arrangement with subcontractors

The Group does not enter into long term agreements with its subcontractors and generally only enter into subcontracting agreement on a project basis, which generally contains terms such as scope of work, duration of work, contract sum, payment terms, defect liability period and retention monies.

Our subcontractors are neither our employees nor agents, and we are not a party to the employment arrangement between our subcontractors and their employees.

Criteria for selecting subcontractors and materials suppliers

Basis of selecting subcontractors and materials suppliers

In selecting subcontractors and materials suppliers for a project, we will evaluate them based on their experience, quality of works, timeliness of completion for past projects, reputation in the industry, past performances and cost. Based on these factors, we select and maintain a list of approved subcontractors and material suppliers.

The Group maintains an approved list of more than 60 approved subcontractors and 70 materials suppliers which is updated on a regular basis and reviewed annually at year end. Based on the performance during the period under review, including quality of work, time management and compliance with the contract requirements, as well as the past compliance records with the relevant laws and regulations in its operating history, including but limited to compliance with safety and environmental requirements, subcontractors and suppliers in the list are either retained, or removed. The lists are shared among all project team members in the Group and are centrally maintained.

Among the list of our approved subcontractors and materials suppliers, we have over 40 subcontractors and materials suppliers that have over five years of working relationship with us. The Directors believe that the long-standing relationship with subcontractors and materials suppliers enables us to have comprehensive assessment of our subcontractors and materials suppliers over years so as to better control the quality and schedule of works in the long run. As we have more than one subcontractor that provide the same or similar service to the Group during the Track Record Period and up to the Latest Practicable Date. Our Directors do not foresee any difficulties in finding substitute subcontractors should that become necessary.

During the Track Record Period and up to the Latest Practicable Date, all of our subcontractors and materials suppliers were Independent Third Parties.

Subletting procedure

Subletting is proceeded in accordance with the cost planning of the respective project. The project manager oversees the execution of the subletting strategy based on the cost plan of the respective project. The final decision of the subletting strategy is approved by the executive Director.

The quantity surveyor then executes the subletting strategy and seek quotations from the list of approved subcontractors, based on their relevant skillsets and experience, subject to their availability and fee quotations, as well as the cost plan and the project time frame. The project quantity surveyor then analyses and selects the suitable subcontractor based on the information provided by the possible subcontractors and finalises the fee with the suitable subcontractor based on the fee quotation it provided. The project manager will oversee the process and review the suitability of the subcontractors selected.

The terms and conditions of the subletting documents compiled by the assigned project quantity surveyor include, but not limited to, the scope of work and specifications. The project manager and the project quantity surveyor will ensure that such terms and conditions are clear and unambiguous.

Subcontracting charges and payment to our subcontractors

In general, we obtain pre-bid quotations from our subcontractors before submitting our tender. We normally obtain the final fixed-price quotations from our subcontractors after receipt of the contract awarded by our clients. If we accept the quotation and the terms and conditions contained therein, we will counter-sign the quotation and return it to the subcontractor as our acceptance. Our Directors are of the view that leveraging on our experience and expertise in this industry, we have been able to manage the pricing risk involved given the difference in timing of our tender awards and our subcontractors providing the quotation.

In general, we pay our subcontractors on a monthly basis with reference to the value of the works done. Each of the subcontractors is required to submit a request for payment to us every month with supporting document of work completed and written confirmation. Once we have certified the amount of work done by the subcontractors, we will release relevant portion of the subcontracting amounts minus retention money. Payments are generally made within one month after we receive the subcontractor's request, during which we will review the amount of payment under their request. The contract terms for the subcontractors to hold up retention money of normally 2.5% to 10% from each progress payment with maximum retention capped at 5% of total contract sum, The first half of which is generally released upon the issue of certificate of practical completion of the project and the second half of which is generally released upon expiry of the defect liability period. For further details and the associated risks, please refer to "Risk Factors – Financial resources required to undertake projects for the contracting business" in this document for further details.

Control on subcontractors

We are liable to our clients for the performance of the subcontracted works under the main contract entered into between us and our clients, which includes acts, defaults or neglects of our subcontractors. We generally require subcontractors to rectify all defects in the subcontract works that they engaged in within the defect liability period.

In order to manage the progress and quality of work conducted by our subcontractors, the Group sends its own personnel to the work site to supervise the work performed by its subcontractors, and also to review the subcontractors' work on an on-going basis to ensure that the subcontractors' work conform to the designs. Such supervision and review procedures include, among others:

– issue construction drawings to the subcontractors, and explain to and discuss with the subcontractors on the details of the work before commencement of site work and during regular site meetings to enable them to understand and comply with the designs;

– perform regular on-site inspection by the project manager and site supervision personnel to ensure compliance by the subcontractors with the drawings; and

– debrief the subcontractors on a weekly basis and hold weekly meeting by the project management team to review the working progress.

In addition, the Group supplies its subcontractors with its safety manual on workplace safety and organises relevant safety training. The Group explains its measures to subcontractors before commencement of work and monitor their compliance with such measures on an on-going basis at work sites. Please refer to "Business – Occupational health and safety" in this section for further details. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material delayed performance by our subcontractors and we had not received any material claims or complaints from our clients for substandard work of our subcontractors.

Procurement of Materials

Materials are sourced by the Group and/or its subcontractors depending on the nature and requirements of the project. In cases where materials are sourced by us, our quantity surveyor and procurement department would source the required materials, invites quotations, conducts price evaluation and negotiation, undertakes procurement of materials and equipment, and allocates resources for all projects and aligns demands for each project. This centralised procurement and resources allocation system enables us to make bulk purchases in order to achieve cost savings, and to coordinate the allocation of our existing resources among different sites in order to maximise utilisation of resources.

Proposed materials, together with photos of the sample, if possible, will be approved by the client prior to order. Generally, our materials suppliers offered us credit terms of 30 days from the date of invoice. We have maintained good working relationship with our materials suppliers and do not foresee any difficulties in sourcing materials in the future.

Unless our clients require us to engage materials suppliers nominated by them, we select our materials suppliers from our approved list of materials suppliers as described under "list of approved subcontractors and suppliers" in this section above. Generally, we have more than one materials supplier as our candidates for the same material. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any difficulty in material procurement. Therefore, our Directors consider that we do not overly rely on any of our materials suppliers and we are able to engage alternative materials suppliers if necessary.

We do not have long-term contracts with any of our materials suppliers. In general, our purchase orders are entered with our materials suppliers on an order-by-order basis, which generally specify the type, quantity, price and delivery of the material that we purchased. However, as we do not enter into any purchase orders with our materials suppliers until the project has been awarded to us, we may not be able to successfully pass the price difference to our client if there is any significant price fluctuation after we submit our tender document. Please refer to "Risk Factors – Risks relating to our business – Our profit may be substantially reduced if there are changes in our materials costs after tendering" in this document for further details.

SALES AND MARKETING

During the Track Record Period, all of the Group's new businesses were obtained through direct invitation for tender or quotation by clients, which is considered by the Directors to be attributable to its track records, relevant experience and professional reputation in the fitting-out and renovation industry in Hong Kong. During the Track Record Period, the Directors and senior management of the Group have proactively solicited businesses by making presentations to potential clients and it is believed that such effort has resulted in invitation for tender and quotation.

The Group maintains relationship with its clients and attracts them to provide the Group with new businesses mainly by ensuring the quality of its services, maintaining its professional image and reputation in the industry, and actively maintaining rapport with existing and potential clients from time to time.

During the Track Record Period, the success rates in attaining engagement for projects tendered and quoted were as follows:

	For the year ended 31 March	
	2015	**2016**
Success rate (in terms of number of projects tendered) *(Note 1)*	14.3%	11.4%
Success rate (in terms of amount of projects tendered) *(Note 2)*	15.3%	9.3%

Notes:

1 Success rate (in terms of number of projects tendered) is calculated as to the number of projects with engagement confirmed during the year divided by the number of tenders and quotations sent to clients during the respective year.

2 Success rate (in terms of amount of projects tendered) is calculated as to the total contract sum awarded during the year divided by the total amount of tender submission.

For the year ended 31 March 2016, we experienced significant business growth as evidenced by our involvement in a few major projects. In order to maintain sufficient cashflow for performing our work for the ongoing projects, we had adopted a strategy to raise our tender price for some potential new projects for the year ended 31 March 2016. As such, our success rate (in terms of number and amount) in attaining engagements for projects tendered had decreased during the Track Record Period.

FACTORING FACILITIES

To further strengthen our working capital position and enhance our financial resources for our ongoing projects and newly awarded projects, we will usually obtain factoring facilities from banks by factoring certain accounts receivable from our clients to the bank, which provide a flexible alternative to increase our working capital and finance our liquidity requirement. Further details of the factoring facilities utilised by the Group are set out in "Financial Information – Indebtedness – Banking facilities" and "Financial Information – Pledged bank deposits" in this document.

HEDGING

During the Track Record Period, most of the Group's transactions were denominated in Hong Kong dollar. The Directors consider that the Group's exposure to foreign exchange risk is minimal and therefore, the Group did not enter into any foreign currency hedging contract.

QUALITY CONTROL

Each project has a project manager who is responsible for the project's overall quality assurance.

Personnel responsible for the Group's overall quality assurance include project director, project manager and site supervision personnel. Please refer to "Directors and senior management – Directors" in this document for further details of their biographical information.

For the Group's quality control measures over subcontractors, please refer to "Business – Suppliers and subcontractors – Control on subcontractors" in this section for further details.

During the Track Record Period and up to the Latest Practicable Date, the Group did not receive any material complaint or request for any kind of material compensation from the Group's clients due to quality issue in relation to services provided by the Group or work performed by its subcontractors.

OCCUPATIONAL HEALTH AND SAFETY

Safety management system

We are committed to provide a safe and healthy working environment for our employees and employees of our subcontractors and we treat their safety as a matter of the highest priority. We believe that besides our obligations to our clients and under applicable laws, workplace safety is important for maintaining our reputation and attracting skilled employees and future business opportunities. Our safety management system therefore involves not only identification of risks in different types of works to reduce the risk levels but also to provide information, instruction, training and supervision to enhance awareness of hazards, safe practices and improve emergency preparedness.

Safety management policy

The Group has established a set of safety management policy that are required to be followed by employees of the Group and its subcontractors, which sets out, among other things:

– list of principal statutory health and safety requirements to be observed during the execution of site work;

– regular site inspection to identify potential hazards;

– site safety rules and control measures such as requirements on site environment and the provision of safety equipment for workers;

– guidelines for housekeeping, worker safety training and communication; and

– accident/incident investigation procedures.

The safety management policy is reviewed at least once a year to incorporate best practices or to address and improve specific areas of our system as part of the continuous improvement of our safety management system. Our safety manual prepared in accordance with the safety management policy is distributed and applies to not only our staff but also our subcontractors and their workers.

Specific workplace safety rules and procedures and safety training

We require our employees and our subcontractors' employees to understand and follow our workplace safety rules as set out in our safety manual. Our workplace safety rules identify common safety and health hazards and the best practices to prevent or at least minimise the impact from such hazards. For instance, we adopt rules and procedures for our subcontractors' employees who are working on site, such as providing a suitable working platform with firm footing and with guardrail around all edges conducting routine inspection to ensure soundness of such platforms and suggesting alternative arrangements where certain measures are impractical. The safety manual will refer to relevant laws and regulations as well as relevant code of practices issued by departments of the Government for reference.

Our project manager for each project is responsible for holding a safety induction course for our employees and our subcontractor's employees. Such safety rules include:

– each personnel must wear and display his/her valid construction industry safety training certificate (commonly named as "Green Card"), Hong Kong Identity Card and construction workers registration card at all times when they are on site;

– staff and on site workers must wear relevant safety equipment when performing certain tasks within appropriate; and

– staff and on site workers are required to observe the occupational health and safety measures and policy established for the relevant work site and immediately report any unsafe condition to site management.

Additionally, the Group employs full-time safety supervisors to ensure the compliance of proper safety procedures by its staff and subcontractors in all work sites of the Group. If the total number of workers employed in one construction site or more than one construction site is 100 or more concurrently, the Group will also engage a third party company to act as a safety officer to conduct weekly safety inspection. The safety officer or safety supervisor will periodically conduct safety training for the workers on site. We generally require all persons working on site to keep safety training attendance records for our checking.

Company safety management committee and site safety committee

The Group has set up a (i) site safety committee which is formed by the executive Director, project manager, safety officer (if required), and or safety supervisor, site supervisor and subcontractors' representatives (if required); and (ii) a company safety management committee which is chaired by the executive Director. The site safety committee is responsible for designing and preparing control measures by implementing safe practices, systems of work, adequate monitoring and control, arrangements, provision and use of suitable protective clothing and equipment/implementing the safety plan, reviewing and monitoring the effectiveness of the safety and health measures taken. The company safety management committee is responsible for the monitoring and reviewing of the safety performance of the Group, and for ensuring the implementation of internal safety manual. The committees will also meet periodically to seek feedback from site management for purposes of reviewing and assessing safety policies, accident rates and any non-compliance with applicable laws and regulations as well as providing recommendations.

Procedure for handling employee injuries and accidents at work

Injuries are common in the building industry due to the potentially hazardous environment (working from high or confined spaces) and nature of works and we therefore may be subject to claims from our and subcontractors' employees for work-related injuries from time to time. Our human resource and administration department is responsible for recording details of the claims and handling claims for accidents and injuries of our site staff. Personnel from this department is also responsible for liaising with the relevant insurance company, the claimant and in case of more serious claims as considered appropriate by our management, obtaining advice from our external legal advisers. To ensure proper recording and handling of such claims, we follow a general procedure for dealings with such claims as follows:

- Our on site safety officer will provide a report to the project manager and human resource and administration department after the incident investigation.

  The site management team together with our safety officer or safety supervisor on the site will consider the necessary rectification measures and policy to prevent future incidents.

- We will send a work injury report for our staff's injury case, to the relevant government department in accordance with relevant laws and regulations after the incident comes to our knowledge, and report the incidents to the insurance company as well as seek external legal advice (if necessary).

- The settlement of the incidents will be handled by representatives of the insurance company. The matter may be litigated if they do not accept the liability.

Claims for personal injuries during the Track Record Period

Save for the material claim disclosed in "Business – Litigations and claims" in this section, the Directors are not aware of any material work-related accidents and injuries from employees or third parties during the Track Record Period and up to the Latest Practicable Date.

Analysis of accident rate

Set out below is the comparison between the Group's accident rate and the accident rate in the construction industry in Hong Kong during the Track Record Period:

	For the year ended 31 March	
	2015	**2016**
Accident rate per 1,000 workers		
Accident rate in the construction industry	41.9	N/A
Accident rate of the Group	0.04	0.04

The accident rate in the construction industry in 2014 is 41.9 based on the Occupational Safety and Health Statistics Bulletin Issue No. 15 issued by the Occupational Safety and Health Branch, Labour Department of Hong Kong in August 2015, which represents the accident rate per 1,000 workers of the construction industry in Hong Kong in the respective years. The accident rate of the Group is calculated as to the number of accidents during the year divided by the estimated number of site workers of the Group (both subcontractors and in-house workers) during the year, and then multiplies by 1,000. Such estimated number of site workers of the Group during the year is based on estimation on monthly site workers deployed by the Group. Based on the above analysis, the accident rate of the Group is significantly lower than that of the construction industry in 2014, which the Directors believe that it is mainly due to the nature of the Group's fitting-out and renovation (including alterations and additions) contracting services that in general involve relatively less high-risk activities as compared with other construction work such as construction of new building, including the use of heavy construction machineries, e.g. heavy cranes and excavator, and working at height at incomplete building, coupled with the Group's safety management system that helps preventing the occurrence of accidents.

ENVIRONMENTAL COMPLIANCE

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal. Please refer to "Regulatory Overview" in this document for further details.

The Group has established measures and work procedures governing environmental protection compliance that are required to be followed by its employees and subcontractors. Such measures and procedures include, among others:

Area	**Measures**	
Air pollution control	(i)	Erection of hoarding along the site boundary with effective dust screens, sheeting or netting if necessary
	(ii)	Watering when necessary for any dusty materials before loading and unloading

	(iii)	Dusty load on vehicles to be covered by tarpaulin and vehicle washing facilities to be provided at all sites exits to wash away dusty materials from vehicle body and wheels
Noise control	(i)	Work that create loud noise are to be carried out during day-time only
	(ii)	Idle equipment to be turned off as soon as possible
	(iii)	Use of quiet mechanical tools and equipment whenever possible
	(iv)	Obtain valid construction noise permit for using powered mechanical equipment after 7:00 p.m. and such permit should be applied for before commencement of work that creates loud noise after 7:00 p.m.
	(v)	Conduction of staff training as to noise control at the commencement of each project to ensure that all staff are aware of the requirements regarding noise control
	(vi)	Set-up of noise control policy and procedures to ensure compliance with Noise Control Ordinance
Waste disposal	(i)	Labeled bins to be provided to allow segregation of recyclable materials from other waste for transportation to landfills whenever possible
	(ii)	Designated personnel assigned to ensure all charges and levies, and all other relevant requirements under the Waste Disposal Ordinance are fully complied with from time to time for the execution of the Group's site work

The Directors confirm that costs in relation to environmental compliance are usually borne by the Group at the work site. For each of the two years ended 31 March 2015 and 2016, the Group incurred approximately HK$0.4 million and HK$0.8 million, respectively, in relation to the compliance with applicable environmental requirements. The Group estimates that its annual cost of compliance going forward will be consistent with its scale of operation.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we generally have insurance over office employees' compensation insurance, property and public liability insurance. In relation to our projects in Hong Kong and in line with industry practice, when we serve as main contractor, we will purchase employees' compensation insurance and contractor's all risks insurance for the project. The insurance policy generally covers the entire contract period, including the defect liability period following completion of the project. When we are engaged as a subcontractor, we generally obtain insurance cover from the main contractor or, depending on the terms of the relevant contracts, from the property owners.

As at the Latest Practicable Date, the employees' compensation insurance policies in Hong Kong provide for a maximum limit of liability of up to HK$200 million per event. For the years ended 31 March 2015 and 2016, our total insurances premiums were approximately HK$2.2 million and HK$0.2 million, respectively. During the Track Record Period and up to the Latest Practicable Date, claims in an aggregate amount of approximately HK$0.3 million have been made in respect of its insurance policies.

The Directors consider that the existing insurance coverage is adequate and consistent with industry norm having regard to the Group's current operations and the prevailing industry practice.

EMPLOYEES

Number of employees by function

As at 31 March 2015 and 2016 and as at the Latest Practicable Date, the Group had a total of 26, 30 and 29 employees respectively. All employees of the Group are stationed in Hong Kong.

Set out below is the number of employees and their turnover rate by function as at 31 March 2015 and 2016 and the Latest Practicable Date:

	As at 31 March		As at the Latest Practicable
	2015	2016	Date
Accounting and finance	1	3	2
Human resource and administration	4	5	5
Quantity surveyor and procurement	3	4	3
Project management	18	18	19
Total	26	30	29

Relationship with staff

In recognition of the contributions of certain employees, the Group presents an employee service and achievement recognition award to all regular employees who complete intervals of five calendar years of service with satisfactory performance as an appreciation to those employees for their loyalty and dedication. The Directors believe that such award provides the Group the opportunity to recognise employees for their achievements and service as well as motivate them to higher performance and encourage retention. This enables the Group to strengthen the relationships between the senior management and employees.

The Directors consider that the Group has maintained good relationship with its employees. The Directors confirm that the Group has complied with all applicable labour laws and regulations in Hong Kong.

The Directors confirm that the Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has the Group experienced any difficulties in the retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by employees.

Human Resources and Payroll policy

The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the Group's business development. The Group provides employees' handbook to new employees to explain the Group's internal rules.

Remuneration policy

The Group entered into separate employment contracts with each of the Group's employees in accordance with the applicable employment laws in Hong Kong.

The remuneration package offered by the Group to its employees includes basic salary, bonuses and mandatory provident fund. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

PROPERTIES

Leased properties

As at the Latest Practicable Date, the Group leased two properties and two carparks in Hong Kong and their details are set out below:

Location	Approximate gross floor area *(in approximate sq.ft.) (Note)*	Lessor	Key terms of the tenancy	Usage
17/F, The Pemberton 22-26 Bonham Strand Sheung Wan Hong Kong	2,814	An Independent Third Party	Monthly rental of HK$74,571 with tenancy period up to 31 January 2017	General office
18/F, the Pemberton 22-26 Bonham Strand Sheung Wan Hong Kong	2,814	An Independent Third Party	Monthly rental of HK$87,234 with tenancy period up to 31 May 2019	General office
Car parking space no. 9 1/F, Goldwin Heights 2 Seymour Road Hong Kong	N/A	An Independent Third Party	Monthly rental of HK$3,800 with tenancy period up to 30 June 2017	Car parking space
Car parking space no. 19 1/F, Goldwin Heights 2 Seymour Road Hong Kong	N/A	An Independent Third Party	Monthly rental of HK$3,670 with tenancy period up to 31 August 2016	Car parking space

For the years ended 31 March 2015 and 2016, our expenses for property rental were approximately HK$1.1 million and HK$1.1 million, respectively. The Group does not intend to renew the lease in respect of the car parking space no. 19 located at Goldwin Heights as stated above after the expiration of the tenancy period.

During the Track Record Period, the Group had not experienced any difficulty in renewing any lease.

Owned properties

During the Track Record Period and as at the Latest Practicable Date, the Group did not own any property.

INTELLECTUAL PROPERTY RIGHTS

Trademark

As at the Latest Practicable Date, the Group was applying for registration of one trademark in Hong Kong. Please refer to "Statutory and General Information – B. Further information about our business – 2. Intellectual property rights of the Group" in Appendix V to this document for further details.

As at the Latest Practicable Date, the Group was not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us or the Group was also not aware of any pending or threatened claims against the Company or any of its subsidiaries in relation to the material infringement of any intellectual property rights of third parties.

Domain name

As at the Latest Practicable Date, the Group is the registrant of the domain name www.aeso.hk. Please refer to "Statutory and General Information – B. Further information about our business – 2. Intellectual property rights of the Group" of Appendix V to this document for further details.

RESEARCH AND DEVELOPMENT

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

NON-COMPLIANCE

The Directors confirm that, as at the Latest Practicable Date, the Group did not receive any notices for any fines or penalties for any non-compliance that is material and systemic, and the Group has complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

LITIGATIONS AND CLAIMS

We may become a party to various legal or arbitration proceedings arising in the ordinary course of our business. As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration and no claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group that would have a material adverse effect on our business, results of operations or financial condition.

We initiated two lawsuits that arose out of a Fitting-out Project and a Renovation Project undertaken by us during the Track Record Period, pursuant to contracts we entered into with Grand Rich International Group Limited ("**Grand Rich**") and JM International Development Limited ("**JM**"), both are our subcontractors for supply and installation of marble/granite works, respectively, in December 2014. Due to the problems with the supply and installation of marble by Grand Rich and JM in their respective projects and they failed to remedy the defects after our repeated requests and demands, it led to possible delay of the entire project, we had engaged another subcontractor to remedy the problems and incurred additional cost.

As a result, we initiated legal proceedings against Grand Rich and JM in February 2016 in High Court of Hong Kong and District Court of Hong Kong, respectively, for breach of contracts and claimed the damages and additional expenses for an amount of approximately HK$7.75 million and approximately HK$0.76 million, respectively. As at the Latest Practicable Date, the lawsuits were currently pending. The Directors have sought the opinion of the litigation counsel, in respect of the merits of these two lawsuits and have been advised that we have strong case in both lawsuits and have good arguments in support of our position. As such, no provision has been made for the related claims.

During the Track Record Period and up to the Latest Practicable Date, the Group was involved in one case relating to employees' compensation claim and personal injuries claim against the Group by a subcontractor's employee, where the Group was joined as a defendant in the capacity as a main contractor. Set out below are the details of the material claim against the Group as at the Latest Practicable Date and such claim is considered by the Directors to have no material adverse impact on the Group.

Date of the civil action	29 September 2015
Nature of the accident/ claim	An employee of a subcontractor (the "**Injured Employee**") engaged by the Group is alleged to have fallen from height in the course of installing the electric wiring for lighting boxes in a project undertaken by Aeso Limited and sustained bodily injury. An employee's compensation claim for personal injuries was sustained by the Injured Employee (Action No. 2024 of 2015). The Injured Employee also intended to sustain a common law personal injury claim against Aeso Limited.
Identity of the injured worker/capacity of the plaintiff(s)/Applicant(s)	Applicant: A subcontractor's employee Respondents: Aeso Limited and the subcontractor
Compensation claimed/ amount settled	An employee's compensation of HK$310,847 was accepted by the Injured Employee.
Status as at the Latest Practicable Date	The insurer has taken over the proceedings and the employee's compensation claim has been fully settled on 30 March 2016 and covered by insurance. No court action has been brought against the Group.

As at the Latest Practicable Date, the personal injuries claim against us under the common law for the above case had not been commenced and therefore, the above case may turn into personal injuries claim under common law against the Group. Since the Injured Employee has not yet filed claim with particulars and the claim, when filed, will be handled by solicitors appointed by the insurer of the Group, we are not in a position to assess the likely quantum of such potential claim. However, such potential claim is fully covered by insurance maintained by the Group. During the Track Record Period and up to the Latest Practicable Date, the Group had not encountered any dispute on liability from our insurers.

Given that the above case was caused during the usual and ordinary course of our business and the Group has insurance cover for its liabilities resulting from the above case and notice of such case has been given to the insurer, the Directors are of the view that such possible claim has no material adverse impact on our business, results of operations or financial condition.

The Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry. All projects undertaken by us are protected by contractor's all-risk and third party liability insurance as required by our clients with a view to providing sufficient coverage for such work-related injuries for the workers and we have not incurred any material liabilities as a result thereof during the Track Record Period. As such, the abovementioned incidents did not and are not expected to have a material impact on the Group's operations.

No provision has been made in the financial statements of the Group in respect of the aforementioned ongoing employees' compensation claims and personal injury clams having taken into account (i) the uncertainties in the total amount involved for the claims; (ii) the coverage by the relevant insurance as mentioned above; and (iii) the indemnity given by the Controlling Shareholders as mentioned below. Regarding the potential litigations in relation to employees' compensation claims and common law personal injury claims, no provision was made in the financial statements of the Group having considered (i) the uncertainties as to whether such claims will be commenced; (ii) the uncertainties in the total amount that will be involved for such claims, if any; and (iii) the indemnity given by the Controlling Shareholders as mentioned in "Business – Indemnity from the Controlling Shareholders" below.

INDEMNITY FROM THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide, *inter alia*, indemnities on a joint and several basis in respect of, among other matters, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of the Group arising from or in connection with any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted by or against any member of the Group in relation to events occurred on or before the **[REDACTED]**, including but not limited to the legal proceedings and claims as disclosed in "Business – Litigations and Claims" above in this document. Please see "Relationship with Controlling Shareholders – Deed of Indemnity" in this document for further details.

Save as the claims as disclosed above, during the Track Record Period and up to the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance against third parties, nor were the Group aware of any litigation, arbitration or claim which was pending or threatened by third parties against any member of the Group that would have a material adverse effect on the Group's results of operations or financial condition.

INTERNAL CONTROL

The Group has engaged Baker Tilly, an independent internal control adviser, to perform a detailed evaluation of the Group's internal control system including the areas of financial, operation, compliance and risk management with an aim to, among other matters, improve the Group's corporate governance and ensure compliance with the applicable laws and regulations, including, but not limited to, safety regulations.

Baker Tilly is part of Baker Tilly Hong Kong which is an affiliate of Baker Tilly International. Baker Tilly is a company providing, among others, internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange and companies preparing for listing in Hong Kong. The engagement team of Baker Tilly includes members of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Chartered Institute of Management Accountants, CPA Australia and the Institute of Internal Auditors.

In May 2016, Baker Tilly performed internal control follow-up review of the Group and did not note any significant deficiencies in its internal control system. According to the result of the internal control follow-up review performed by Baker Tilly, the Directors confirmed that the Group did not have significant deficiencies in its internal control design, as at the Latest Practicable Date.

View of the Directors and the Sponsor

Having considered the background leading to the specific incidents of material claims and Baker Tilly's views on the Group's internal control system, the Directors are of the view, and the Sponsor concurs, that (i) the various internal control measures adopted by the Group are adequate and effective; (ii) the incident of material claim against the Group does not materially affect the suitability of the Directors to act as directors under Rules 5.01 and 5.02 of the GEM Listing Rules; and (iii) the incidents identified do not materially affect the suitability for the Company's **[REDACTED]** under Rule 11.06 of the GEM Listing Rules.

DIRECTORS

Our Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets out information concerning our Directors and senior management:

Name	Age	Position	Date of appointment	Date of joining the Group	Role and Responsibilities
Mr. Chan Siu Chung (陳少忠)	41	Executive Director, chairman and chief executive officer	14 December 2015	17 January 2008	The overall strategic development, management of the Group, managing client relationship and business marketing
Mr. Cheung Hiu Tung (張曉東)	39	Executive Director and Quantity Surveying Manager	29 April 2016	13 October 2008	Overseeing our operations in quantity surveying
Miss. Zhang Qi (張琪)	26	Non-executive Director	8 April 2016	8 April 2016	Consultative role in matters concerning the Group and not day-to-day management
Mr. Law Wing Kit (羅永傑)	30	Non-executive Director	29 April 2016	29 April 2016	Consultative role in matters concerning the Group and not day-to-day management
Mr. Lee Chi Chung (李子聰)	44	Independent non-executive Director	To be appointed	To be appointed	Supervising the Group's compliance and corporate governance matters, providing independent judgment to the Board
Mr. Or Chun Man (柯浚文)	44	Independent non-executive Director	To be appointed	To be appointed	Supervising the Group's compliance and corporate governance matters, providing independent judgment to the Board
Mr. Leung Ka Kui, Johnny (梁家駒)	59	Independent non-executive Director	To be appointed	To be appointed	Supervising the Group's compliance and corporate governance matters, providing independent judgment to the Board

Executive Directors

Mr. Chan Siu Chung (陳少忠), aged 41, is the founder, the chairman and the chief executive officer of the Group. He was appointed as the executive Director, the chairman and the chief executive officer of the Company on 14 December 2015, 6 May 2016 and 23 June 2016, respectively. He is primarily responsible for the overall strategic development, management of the Group, managing client relationship and business marketing. He is one of the founders of Aeso Limited, the operating subsidiary of the Company, and is currently its executive director and project director. He is also a director of Aeschylus Limited.

Mr. Chan has been a member of The Hong Kong Institute of Surveyors and a professional member of The Royal Institution of Chartered Surveyors since March 2001. He has been a registered professional surveyor since January 2011. He also became a certified cost engineer accredited by China Engineering Cost Association in PRC in May 2011.

Mr. Chan has nearly 19 years of experience in the building and construction industry, especially in the field of fitting-out and renovation (including alteration and addition) works. Prior to the establishment of the Group, he worked as a quantity surveyor at Levett and Bailey Chartered Quantity Surveyors Limited from August 1997 to June 1999. He worked at K C Tang Consultants Limited as an assistant quantity surveyor from June 1999 to April 2001 and as a quantity surveyor from May 2001 to December 2001. Mr. Chan worked at Kelly Construction Company Limited as the contract manager from January 2002 to November 2003, as the executive director from December 2003 to April 2006 and as the deputy managing director from May 2006 to December 2007.

Mr. Chan obtained a bachelor of science degree in construction economics and management from The Hong Kong Polytechnic University in Hong Kong in November 1997 and a master of science degree in construction project management from The University of Hong Kong in Hong Kong in December 2006.

Mr. Chan has been a member of The Association of Hong Kong Professional since December 2013. He has been a member of Rotary Club of Admiralty since April 2014 and has been appointed as a vocational director of Rotary Club of Admiralty from July 2016 to June 2017. He was a member of Working Group on Repair, Maintenance, Alterations and Additions Manpower Research of Construction Industry Council since May 2014. He has been a director and the president of Hong Kong Land Rover Club Limited since December 2011 and since November 2013, respectively.

Mr. Chan was a director of Smart Hero Trading Limited, which was a Hong Kong incorporated company deregistered on 2 May 2003 under section 291AA of the Predecessor Companies Ordinance with no business carried on immediately before its deregistration *(Note 1)*.

Our Company's corporate governance practices are based on principles and code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules (the "**Corporate Governance Code**"). Except for the deviation from code provision A.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the Corporate Governance Code.

Code provision A.2.1 of the Corporate Governance Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan is the chairman and the chief executive officer of our Company. In view of Mr. Chan being the founder of the Group and has been operating and managing Aeso Limited, the main operating subsidiary of our Company since its incorporation, our Board believes that it is in the best interest of the Group to have Mr. Chan taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

Mr. Cheung Hiu Tung (張曉東), aged 39, was appointed as the executive Director on 29 April 2016 and the Quantity Surveying Manager of the Company on 1 Feb 2016. Mr. Cheung joined the Group in October 2008 as a senior quantity surveyor. He is primarily responsible for overseeing our operations in quantity surveying.

Mr. Cheung has nearly 19 years of experience in the building and construction industry. Prior to joining the Group, Mr. Cheung served at Davis Langdon & Seah Hong Kong Limited as a quantity surveying assistant from December 1996 to April 2001 and as an assistant quantity surveyor from May 2001 to November 2004. He was a quantity surveyor of Kelly Construction Company Limited from November 2004 to September 2008.

Mr. Cheung completed a 75-day Measurement Technician Training Course delivered by Construction Industry Training Authority in Hong Kong in November 1996. He obtained a certificate in quantity surveying and a higher certificate in quantity surveying from Hong Kong Institute of Vocational Education in Hong Kong in July 2000 and July 2002, respectively.

Non-executive Directors

Miss. Zhang Qi (張琪), aged 26, was appointed as the non-executive Director on 8 April 2016. Miss. Zhang has nearly four years of experience in banking and finance related matters. Prior to joining the Group, Miss. Zhang gained experience at several government authority and financial institutions in the PRC from June 2011 to September 2013, including serving as a non-tax revenue management officer at Inner Mongolia Provincial Department of Finance, an office secretary responsible for financial statistics, gross settlement and credit investigation at People's Bank of China, an accounting assistant of financial department of Chengdu Good Investment Limited of Huaxi Hope Group, various positions at business department of Bank of China Limited, Inner Mongolia branch and a customer manager of market extension division under international business department of Agricultural Bank of China Limited, Inner Mongolia branch. Miss. Zhang worked at Praetor Capital Limited as the vice president of corporate finance division from November 2014 to May 2015 and she has been the managing director of Parlay Family Investment (HK) Limited since April 2015. Miss Zhang is currently a director of W & Q Investment.

Miss. Zhang obtained a bachelor of economics degree in international economics and trade from SiChuan University in PRC in June 2013. She also obtained a master of science degree in applied economics from Hong Kong Baptist University in Hong Kong in November 2014.

Mr. Law Wing Kit (羅永傑), aged 30, was appointed as the non-executive Director on 29 April 2016. Mr. Law has been a certified financial risk manager of Global Association of Risk Professionals since September 2010. He has been a member of the Hong Kong Institute of Certified Public Accountants since July 2011. He also has been a licensed person for type 1 (dealing with securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities since April 2015.

Mr. Law has nearly eight years of experience in finance and accounting and extensive knowledge and experience on equity capital market transactions, such as initial public offerings, equity fund raising and on-going compliance advice for listed companies in Hong Kong. Prior to joining the Group, he worked at KPMG as manager of audit, financial services from August 2008 to February 2015. Mr. Law has been manager of corporate finance department of Shenwan Hongyuan Capital (H.K.) Limited since April 2015. He was a director of Lau Kit Lun Holdings Company Limited, which is a Hong Kong incorporated company deregistered on 12 December 2014 under section 751(3) of the Companies Ordinance with no business carried on immediately before its deregistration *(Note 1)*.

Mr. Law obtained a bachelor's degree of business administration in accounting and finance from The University of Hong Kong in November 2008.

Independent non-executive Directors

Mr. Lee Chi Chung (李子聰), aged 44, is to be appointed as the independent non-executive Director. He is the chairman of remuneration committee and a member of audit and risk management committee and nomination committee of the Company. Mr. Lee has been a member of the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors since January 1998 and June 1998, respectively. Mr. Lee has been a registered professional surveyor of the Surveyors Registration Board since October 2003.

Mr. Lee has nearly 22 years of experience in the building and construction industry. Prior to joining the Group, he worked at Levett and Bailey Chartered Quantity Surveyors Limited as quantity surveyor from July 1994 to May 2000. He worked at Kowloon-Canton Railway Corporation as cost control officer of property development department from May 2000 to November 2004. He rejoined at Levett and Bailey Chartered Quantity Surveyors Limited and served as quantity surveyor from February 2005 to July 2005. Mr. Lee has been working at Hutchison Property Group Limited since July 2005 and his current position is senior cost control manager.

Mr. Lee obtained a bachelor's degree of science in building technology and management from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in Hong Kong in November 1994. He obtained a diploma in surveying from The College of Estate Management through distance learning program in September 1996. He also obtained a master's degree of business administration from The Chinese University of Hong Kong in Hong Kong in December 2006.

Mr. Or Chun Man (柯浚文), aged 44, is to be appointed as the independent non-executive Director. He is the chairman of audit and risk management committee and a member of remuneration committee of the Company. Mr. Or has been a member of the Hong Kong Institute of Certified Public Accountants since October 1998.

Mr. Or has nearly 22 years of experience in finance and accounting. He worked at S. W. Wu & Co. CPA Limited as audit trainee and audit senior from July 1994 to January 1996 and from February 1996 to November 1996, respectively. He worked at PricewaterhouseCoopers from November 1996 to June 2001, where his last position was manager. Mr. Or also held different positions, including assistant credit control manager and senior manager, at various subsidiaries of Zurich Insurance Company Limited, an insurance Company, since November 2001, and his current position is finance manager. Mr. Or was a director of JSC Professional Services Agency Company Limited, which was a Hong Kong incorporated company deregistered on 8 April 2004 under section 291AA of the Predecessor Companies Ordinance with no business carried on since its incorporation *(Note 1)*.

Mr. Or obtained a bachelor's degree of business administration in accounting from The University of Hong Kong in Hong Kong in January 1995.

Mr. Leung Ka Kui, Johnny (梁家駒), aged 58, is to be appointed as the independent non-executive Director. He is a member of audit and risk management committee, remuneration committee and nomination committee of the Company. Mr. Leung has been a solicitor of Hong Kong, England and Wales and Singapore since April 1985, January 1990 and March 1995, respectively. Mr. Leung has been a China Appointed Attesting Officer since June 1995. He has also been a Notary Public since August 1995.

Mr. Leung has over 31 years of experience in the legal field. Prior to joining the Group, Mr. Leung set up his own firm, Messrs. Johnny K.K. Leung & Co. in March 1990 and is the senior partner of this firm.

Mr. Leung was or is currently an independent non-executive director for various companies listed on either the Main Board or the GEM of the Stock Exchange as set out below:

Company Name	Stock Code	Principal Business Activities	Commencement of appointment
Celestial Asia Securities Holdings Limited	01049	Multifaceted investment conglomerate	October 2000
Ban Loong Holdings Limited	00030	Provision of financial quotation services and securities trading system licensing and wireless applications development, mining operations, development of encryption technology and products, and money lending	October 2014
Phoenitron Holdings Limited	08066	Contract manufacturing and sales of smart cards, the provision of management and financial consultancy services and setting up of natural gas stations in the PRC and other petrochemical related businesses	September 2001
AMCO United Holding Limited	00630	Manufacture and sale of medical devices products and plastic moulding products, provision of public relations services and provision of human resources management services	from January 2000 to June 2015

Mr. Leung obtained a bachelor's degree of laws from the University of London in the United Kingdom in August 1984.

He was a director of Winhence Limited, which is a Hong Kong incorporated company dissolved by striking off on 16 April 1999 under section 290A(3) of the Predecessor Companies Ordinance, with no business carried on immediately before its striking off *(Note 2)*. Mr. Leung confirmed that the said company was inactive and salient at the time of it being struck off and that as far as he is aware, the dissolution of the said company has not resulted in any liability or obligation being imposed against him.

He was a director of Ladder Pace Investment Limited which is a Hong Kong incorporated company deregistered on 1 March 2002 under section 291AA(9) of the Predecessor Companies Ordinance with no business carried on immediately before its deregistration *(Note 1)*.

He was a member of the Road Safety Council from June 2005 to May 2011. Mr. Leung was also the board-appointed member of Disciplinary Committee of Estate Agents Authority from November 2010 to October 2014. Mr. Leung has been the director of Travel Industry Council of Hong Kong since May 2015. Mr. Leung also has been the Justice of the Peace since 1 July 2015.

Save as disclosed above and in "Statutory and General Information" in Appendix V to this document, each of the Directors confirms with respect to him/her that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in the Company or any of its subsidiaries; (iii) he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for him/her pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

Note 1: Under section 291AA of the Predecessor Companies Ordinance or section 751 of the Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Note 2: Under section 290A of the Predecessor Companies Ordinance, the Registrar of Companies may strike off a company if a company has for two consecutive years failed to forward to the Registrar of Companies the annual return required by the Predecessor Companies Ordinance. Pursuant to section 290A(2) of the Predecessor Companies Ordinance, at the expiration of three months from the date of the gazette notice, unless the Registrar of Companies has received all overdue annual returns, the annual returns, the annual registration fee payable on delivery of such annual return under Eighth Schedule of the Predecessor Companies Ordinance, an additional fee of HK$500 and a penalty of HK$5,000, the company will be struck off the register and the company will be dissolved.

SENIOR MANAGEMENT

The following table sets out the information concerning our senior management:

Name	Age	Position	Date of appointment	Date of joining the Group	Role and Responsibilities
Senior Management					
Mr. Chan Siu Chung (陳少忠)	41	Executive Director, chairman and chief executive officer	14 December 2015, 6 May 2016 and 23 June 2016	17 January 2008	The overall strategic development, management of the Group, managing client relationship and business marketing
Mr. Cheung Hiu Tung (張曉東)	39	Executive Director and Quantity Surveying Manager	29 April 2015 and 1 February 2016	13 October 2008	Overseeing our operations in quantity surveying
Mr. Chiu Fu Keung (趙富強)	47	Financial Controller	11 December 2015	11 December 2015	The Group's finance matters
Ms. Cheng Nga Lai (鄭雅麗)	40	Senior Operating Manager	1 February 2016	21 May 2008	Formulating and implementing internal and regulatory manuals and assisting our executive Directors and project managers in operation and contract management
Ms. Yeung Siu Yin (楊小燕)	39	General Manager in Human Resources and Administration Department	1 February 2016	15 June 2009	The overall administrative function and human resources related matters
Mr. Au Siu Kwong (區紹江)	53	Chief Project Manager in Construction Management Team	1 April 2016	9 May 2013	The overall operation of the Group's construction management business and management of relevant site work
Mr. Wong Ka Ho, Jerry (黃家豪)	31	Chief Project Manager in Building Service Management Team	1 April 2016	30 March 2015	The overall operation of the Group's Building Service management business and management of relevant site work

For detailed biographies of Mr. Chan Siu Chung and Mr. Cheung Hiu Tung, please see "Directors" above. The biographies of other senior management members are as follows:

Mr. Chiu Fu Keung (趙富強), aged 47, is the Financial Controller of the Group and primarily responsible for the Group's finance matters. Mr. Chiu joined the Group in December 2015 as the Financial Controller.

Mr. Chiu has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants from January 2008 to March 2016 and since March 2016, respectively. He also has been a fellow member of The Association of International Accountants since September 2011 and a fellow of the Association of Chartered Certified Accountants since September 2012.

Mr. Chiu has nearly 29 years of experience in finance and accounting. Prior to joining the Group, Mr. Chiu worked at a Hong Kong local accounting firm as audit apprentice and audit clerk from November 1987 to March 1990 and from April 1990 to March 1991, respectively. He served as financial accountant in an international company specialised in air-conditioning and refrigeration from March 1991 to December 1993. He also served as accountant in a Hong Kong local company from December 1993 to October 1997 and a interior fitting-out company from November 1997 to July 1999. Mr. Chiu worked at a Hong Kong interior decorative materials company as accounting manager from August 1999 to May 2002 and a Hong Kong trading company as chief accountant from September 2002 to June 2005. He worked at a subsidiary of a Hong Kong trading company from June 2005 to November 2015, where his last position was finance and accounting manager of electrical appliances division.

Mr. Chiu obtained a postgraduate certificate in business administration from University of Glamorgan (currently known as University of South Wales) through distance learning program in May 1996. He also obtained a master of accounting degree from Curtin University of Technology through distance learning program in September 2003.

Ms. Cheng Nga Lai (鄭雅麗), aged 40, is the Senior Operating Manager of the Group. Ms. Cheng joined our Company in May 2008 as an executive assistant. She is primarily responsible for formulating and implementing internal and regulatory manuals and assisting our executive Directors and project managers in operation and contract management.

Ms. Cheng has over 10 years of experience in the building and construction industry. Prior to joining the Group, Ms. Cheng worked at a quantity surveying firm in Hong Kong from August 1997 to June 2000 where her last position was quantity surveyor. She also had experience as assistant manager responsible for assisting in business operations during her past employment at a metal and plastic company from 2003 to 2008.

Ms. Cheng obtained a bachelor of science degree in construction economics and management from The Hong Kong Polytechnic University in Hong Kong in November 1997.

Ms. Yeung Siu Yin (楊小燕), aged 39, is the General Manager in Human Resources and Administration Department of the Group and primarily responsible for the overall administrative function and human resources related matters. She joined the Group as the account manager in June 2009.

Ms. Yeung has nearly 21 years of experience in finance and accounting. Prior to joining the Group, Ms. Yeung worked for Commercial Prints as a junior accounts clerk from July 1993 to May 1994. She served as an accounts clerk of finance and administration department at Sui Chong Project Limited from November 1995 to June 1998. She worked at Dickson Construction Company, Limited as an accounts clerk from September 1998 to February 2001. She was an administration and accounting officer at Mobilia Knitting Factory Limited from March 2001 to March 2008.

Ms. Yeung obtained Pitman's Commercial Group Diploma from Hong Kong Young Women's Christian Association in Hong Kong in May 1995. She also obtained the qualification of London Chamber of Commerce and Industry Level II certificate in book-keeping and accounts in December 1997.

Mr. Au Siu Kwong (區紹江), aged 53, is the Chief Project Manager in Construction Management Team under the Project Management Department of the Group and primarily responsible for the overall operation of the Group's construction management business and management of relevant site work. He joined our Group in May 2013 as the project manager.

Mr. Au has nearly 17 years of experience in the building and construction industry. Prior to joining the Group, Mr. Au worked at Techoy Construction Company Limited for nearly five years, where his last position was site agent. He worked at Gold Castle Engineering Limited as a general foreman from September 2003 to March 2004. He worked at Bolton Construction Company Limited as a site agent from April 2006 to March 2007. Mr. Au also worked at T.O.P Contracting Limited as an assistant project manager from March 2007 to March 2013.

Mr. Au completed a part-time ISO 9000 quality systems internal auditing course for in-service construction personnel and a part-time submission details of site safety supervision plan and assessment of the supervision class for registered contractors course from Construction Industry Training Authority in July 1998 and October 1998, respectively. He completed a part-time construction safety officer course from Construction Industry Training Authority in November 1999. He completed a part-time course for qualifying site supervisors as technically competent persons equivalent certificate from Construction Industry Training Authority from June 2000 to April 2002. He completed a professional diploma in contract management for civil engineering from Hong Kong College of Engineering in February 2003. He also completed a part-time environmental protection course for construction supervisors from Construction Industry Training Authority in May 2003.

Mr. Wong Ka Ho, Jerry (黃家豪), aged 31, is the Chief Project Manager in Building Services Management Team under the Project Management Department of the Group and primarily responsible for the overall operation of the Group's E&M management business and management of relevant site work. He joined the Group in March 2015 as the assistant project manager.

Mr. Wong has been an incorporate member of The Chartered Institute of Building since June 2012.

Mr. Wong has nearly 10 years of experience in the building and construction industry. Prior to joining the Group, Mr. Wong worked at M.Y. Cheng & Co., (Engineering) Limited as an assistant engineer from June 2006 to July 2007. He worked at Fungs E&M Engineering Company Limited for nearly four years and served as assistant engineer and project engineer in the engineering department. He served as a building services engineer at Hsin Chong Construction Company Limited from June 2011 to June 2012, at the development division of a member of Sino Group from July 2012 to October 2013 and at China Overseas (Hong Kong) Limited from October 2013 to March 2015.

Mr. Wong obtained a diploma in electrical engineering and a higher diploma in electrical installation and services from Hong Kong Institute of Vocational Education (Haking Wong) in Hong Kong in July 2005 and July 2006, respectively. He obtained a higher diploma in building technology from Hong Kong College of Technology in Hong Kong in November 2009. He also obtained a bachelor of science degree in facilities management from University of Central Lancashire through distance learning program in December 2010.

Mr. Wong completed the Advanced in AutoCAD Computer Aided Drafting for Electrical Engineering Course from Electrical and Mechanical Industry Skill Upgrading Scheme of Hong Kong Institute of Vocational Education (Haking Wong) in August 2006. He was awarded the Certificate of Locating Underground Electricity Cable from Hong Kong Institute of Vocational Education (Haking Wong) in July 2007. He completed the Construction Safety Supervisor Course from Construction Industry Council in May 2012. He was awarded the Certificate of Basic Interior Design Studies from School of Continuing Education Hong Kong Baptist University in December 2014. He was also awarded the Professional Diploma in Building Inspection from Institute of Advanced Learning and Clerk of Works Services Limited in March 2015.

COMPANY SECRETARY

Mr. Ng Yu Ho (吳宇豪), aged 38, was appointed as the company secretary on 23 June 2016. He has nearly nine years of experience in finance and accounting and extensive experience in finance and auditing and he has in-depth knowledge in auditing and accounting standards. Prior to joining the Group, he worked as senior manager from December 2004 to January 2014 at PricewaterhouseCoopers Hong Kong, an accounting firm serving both private and public companies, across different industries such as construction and property development, manufacturing, retailing, pharmaceutical and other services industries.

Mr. Ng is currently an independent non-executive director of Seamless Green China (Holdings) Limited (Stock Code: 08150), which is listed on the GEM, since November 2014.

Mr. Ng obtained a bachelor's degree of art in accountancy from The Hong Kong Polytechnic University in Hong Kong in November 2000.

COMPLIANCE OFFICER

Mr. Chan is the compliance officer of the Company. Please refer to "Directors – Executive Directors" in this section for the profile of Mr. Chan.

BOARD COMMITTEES

The Board has established an audit and risk management committee, a remuneration committee and a nomination committee.

Audit and Risk Management Committee

We have established an audit and risk management committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code. The primary function of the audit and risk management committee includes, among other things, reviewing and monitoring our financial reporting process, the risk management procedures as well as internal control system, reviewing our financial information, considering issues relating to the external auditors and their appointment, and performing other duties and responsibilities as assigned by the Board.

The audit and risk management committee currently comprises three independent non-executive Directors, namely Mr. Or Chun Man, Mr. Lee Chi Chung and Mr. Leung Ka Kui, Johnny and is chaired by Mr. Or Chun Man.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Corporate Governance Code. The primary function of the remuneration committee includes, among other things, making recommendations to the Board on our Company's policy for human resource management as well as establishing and reviewing policies and structure in relation to remuneration for our directors and senior management.

The remuneration committee currently comprises three independent non-executive Directors, namely Mr. Lee Chi Chung, Mr. Or Chun Man and Mr. Leung Ka Kui, Johnny and is chaired by Mr. Lee Chi Chung, an independent non-executive Director.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code. The primary function of the nomination committee includes, among other thing, reviewing the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and making recommendations to the Board on the appointment, removal or re-appointment of Directors.

The nomination committee currently comprises one executive Director and two independent non-executive Directors, namely Mr. Chan, the Chairman of the Board and executive Director, Mr. Lee Chi Chung and Mr. Leung Ka Kui, Johnny, both are the independent non-executive Directors, and is chaired by Mr. Chan.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including fees, salaries, housing allowances and other allowances and benefits in kind, bonuses and fair value of options granted) paid to our Directors for the years ended 31 March 2015 and 2016 were approximately HK$1.8 million and HK$3.1 million, respectively.

The aggregate remuneration (including fees, salaries, housing allowances and other allowances and benefits in kind, bonuses and fair value of options granted) paid to our Company's five highest paid individuals for the years ended 31 March 2015 and 2016 were approximately HK$4.2 million and HK$5.5 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed above, no other payments have been made or are payable in respect of the two years ended 31 March 2015 and 2016 by any member of the Group to any of our Directors. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 March 2017 to be approximately HK$2.1 million.

For additional information on Directors' remunerations during the Track Record Period as well as information on the highest paid individuals, please refer to note 13 in the accountants' report as set out in Appendix I to this document.

COMPLIANCE ADVISER

The Company has appointed Anglo Chinese Corporate Finance, Limited as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules to provide advisory services to the Company. In compliance with Rule 6A.23 of the GEM Listing Rules, the Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis 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 under Chapters 19 or 20 of the GEM Listing Rules, is contemplated, including share issues and share repurchases;

(c) where the Company proposes to use the net proceeds of the **[REDACTED]** in a manner different from that provided in this document or when our business activities, developments or results deviate from any forecast, estimate (if any) or other information in this document; and

(d) where the Stock Exchange makes an inquiry of us under Rule 17.11 of the GEM Listing Rules.

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

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the **[REDACTED]**, each of Mr. Chan, Acropolis Limited, Mr. Liu and W & Q Investment will control more than 30% of the Company's issued share capital. Acropolis Limited and W & Q Investment are each wholly-owned by Mr. Chan and Mr. Liu, respectively. For the purpose of the GEM Listing Rules, Mr. Chan, Acropolis Limited, Mr. Liu and W & Q Investment will be the Controlling Shareholders. Save and except for their respective interests in the Company and its subsidiaries, none of the Controlling Shareholders nor any of their respective associates had any interest in any other companies which competes, or is likely to compete, either directly or indirectly, with the business of the Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules at as the Latest Practicable Date.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Directors believe that the Group is capable of carrying on its business independently of its Controlling Shareholders and their respective associates after the **[REDACTED]** for the following reasons:

Management independence

Our management and operational decisions are made by the Board and senior management. The Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. One of the executive Directors is Mr. Chan.

The independent non-executive Directors have been appointed in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinion. The independent non-executive Directors are sufficiently experienced and capable of monitoring our operations independently of the Controlling Shareholders. Therefore, the Directors are of the view that the interests of the Shareholders can be safeguarded. Please refer to "Directors and Senior Management" in this document for further details on the independent non-executive Directors.

Each of the Directors is aware of his fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of the Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group, and the Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of the Company in respect of such transactions and will not be counted in the quorum of the relevant board meeting.

Save for Mr. Chan, the Group has an independent senior management team to carry out and execute the business decisions of the Group independently. The independent non-executive Directors are also expected to oversee the Board independently to ensure that there is no potential conflict of interest. The Directors are satisfied that the senior management team of the Group will be able to perform their roles in the Group independently, and the Directors are of the view that the Group is capable of managing its business independently from the Controlling Shareholders and their respective associates after the **[REDACTED]**.

Operational independence

The Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. The Group has independent access to clients for the Group's business. The Group has also established a set of internal control mechanism to facilitate the effective operations of the Group's business.

The Group currently does not have any intention to purchase or sell any products/services from/to its Controlling Shareholders and, if such happens in future, the connected transactions/continuing connected transactions will be conducted in compliance with the GEM Listing Rules.

Financial independence

The Group has established a financial system that operates independently. During the Track Record Period and up to the Latest Practicable Date, Mr. Chan had provided personal guarantees and his and his family's properties as collaterals for the banking facilities used by the Group. The Directors confirm that the above said personal guarantees and collaterals will be released and replaced by the corporate guarantees provided by members of the Group upon **[REDACTED]**. Save as disclosed above, the Directors are of the view that the Group is not financially dependent on the Controlling Shareholders or their respective associates in the Group's business operations and the Group is able to obtain external financing on market terms and conditions for its business operations as and when required.

VOLUNTARY LOCK-UP UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders has undertaken to the Company and the Stock Exchange that, it or he shall not, at any time during the two-years' period commencing on the **[REDACTED]**, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this document to be the beneficial owner.

The Controlling Shareholders believe that the above arrangement, apart from satisfying the lock-up requirement under Rule 13.16A of the GEM Listing Rules, demonstrates their long term commitment to the Group and confidence in the Group's implementation of business expansion plan as well as future development.

COMPETITION

In order to register as an RMWC(Co), a company must have an Authorised Signatory and a Technical Director, and a person is allowed to take up the role of the Authorised Signatory as well as the role of the Technical Director of an RMWC(Co) at the same time provided that he meets the requirements of both Authorised Signatory and Technical Director. Please refer to "Regulatory Overview – Licensing Regime" in Appendix III to this document for further details on registration requirements for an RMWC (Co).

Aeso Limited was not eligible to register as an RMWC(Co) at the time of its incorporation since Mr. Chan, being the Authorised Signatory of Aeso Limited, did not possess sufficient qualification and experience to act as a Technical Director of an RMWC(Co). In order to carry out the Minor Works for the projects undertaken by Aeso Limited, Mr. Chan has registered a sole proprietor, which only requires an Authorised Signatory for registration as an RMWC(Co), in the name of Aeso Builder Company (which has been renamed as Hue166 Company) with his own resources on 5 July 2010 to undertake the Minor Works in the projects awarded to Aeso Limited without any charge. In some occasions, Hue166 Company would be the signing party to the contract awarded by the client if required and subcontract the works to be undertaken to Aeso Limited.

Given that Mr. Chan has currently satisfied the requirements on qualifications and experience of the Technical Director of an RMWC(Co), Aeso Limited has filed its application to register as an RMWC(Co) on 17 June 2016 with Mr. Chan to act as both Authorised Signatory and the Technical Director. As at the Latest Practicable Date, such application has not yet been approved by the Building Authority.

To ensure that adequate supervision and proper management are provided for the carrying out of Minor Works and to avoid possible situations of conflict of interest, it is regulated under the Buildings Ordinance that persons who have been accepted as the Authorised Signatory or the Technical Director for an RMWC(Co) cannot act as an Authorised Signatory or a Technical Director for another contractor firm simultaneously. As such, Mr. Chan will cease to be the Authorised Signatory for Hue166 Company immediately after the registration application of an RMWC(Co) made by Aeso Limited has been approved by the Building Authority. In addition, Hue166 Company has ceased to provide any service or commence any business since Aeso Limited has filed its application to register as an RMWC(Co) on 17 June 2016.

In addition, Ms. Fung Yin, spouse of Mr. Chan established Aeso (ID) Limited on 18 May 2009 which is primarily engaged in providing interior design service. Given that the Group also offers interior design service to its clients, Ms. Fung has applied for Aeso (ID) Limited being deregistered by the Registrar of Companies in order to avoid any direct or indirect competition between the Group and Aeso (ID) Limited. As at the Latest Practicable Date, the deregistration of Aeso (ID) Limited is still in progress.

Save as disclosed above, none of the Directors, Controlling Shareholders or any of their respective associates is a director or a shareholder of any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION DEED

In order to maintain a clear delineation of the businesses between the Group and the Controlling Shareholders, the Controlling Shareholders (together the "**Covenantors**") have entered into the Non-competition Deed in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time).

Under the Non-competition Deed:

(a) each of the Covenantors irrevocably undertakes that it shall not, and shall procure that none of their respective associates (other than members of the Group) shall, during the period (the "**Restricted Period**") in which (i) the Shares remain listed on the Stock Exchange; and (ii) the Covenantors and their associates (other than members of the Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of the Company, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business of any members of the Group and any other new business which the Group may undertake from time to time after the **[REDACTED]** (the "**Restricted Business**");

(b) each of the Covenantors further undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Covenantors and/or any of their associates (other than members of the Group) (the "**Offeror**") is first referred to the Group (the "**Right of First Refusal**") in the following manner:

(i) the Covenantors are required to, and shall procure their associates (other than members of the Group) to, refer, or procure the referral of, the New Opportunity to the Group, and shall give written notice to the Company of any New Opportunity containing all information reasonably necessary for the Group to consider whether (A) the New Opportunity would constitute competition with the business of the Group and/or any other new business which the Group may undertake at the relevant time, and (B) it is in the interest of the Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**"); and

(ii) the Offeror will be entitled to pursue the New Opportunity only if (A) the Offeror has received a written notice from the Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of the Group, or (B) the Offeror has not received the notice from the Company within 10 business days from the Company's receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so revised to the Group in the manner as set out above; and

(c) each of the Covenantors further undertakes and agrees:

(i) not at any time to induce or attempt to induce any director, manager or employee of the Group to terminate his or her service contract or contract of employment with the Group, whether or not such act of that person would constitute a breach of that person's service contract or contract of employment;

(ii) not at any time to solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group in relation to the Restricted Business cease to deal with the Group or reduce the amount of business which the person would normally do with the Group;

(iii) to provide all relevant information for the annual review by the independent non-executive Directors for the compliance with and the enforcement of the Non-competition Deed;

(iv) to allow, subject to confidentiality restrictions imposed by any third party, the representatives of the Company and of the auditors of the Company to have access to its/his financial and/or corporate records as may be necessary for the independent non-executive Directors to determine whether the Covenantors and their associates have complied with the terms of the Non-competition Deed;

(v) to make an annual declaration in the Company's annual report on the compliance with the terms of the Non-competition Deed in accordance with the principle of voluntary disclosure in the corporate governance report within two months after the date upon which the financial period of the Company ends, or if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the Company's annual report for the relevant financial year; and

(vi) the Covenantors, for themselves and on behalf of their associates (except any members of the Group), acknowledge that the Company may be required by the relevant laws, regulations, rules of the stock exchange(s) on which the Shares may be listed and the regulatory bodies to disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or the Company's annual report or decision made by the Company to pursue or decline the New Opportunity and agree to the disclosure to the extent necessary to comply with any such requirement.

CORPORATE GOVERNANCE MEASURES

The Controlling Shareholders and their respective associates may not compete with us as provided in the Non-competition Deed. The Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

(1) the Articles of Association provide that a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution);

(2) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by the Controlling Shareholders (e.g. exercise by the Company of the Right of First Refusal granted by the Controlling Shareholders on their existing or future competing businesses);

(3) the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;

(4) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Controlling Shareholders in the annual reports of the Company;

(5) the Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of the Company;

(6) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and

(7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of the Company.

Further, any transaction that is proposed between the Group and the Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of the Group has experienced any dispute with its shareholders or among its shareholders themselves and the Directors believe that each member of the Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out in this paragraph, the Directors believe that the interests of the Shareholders will be protected.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the **[REDACTED]** have interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of interest and capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Acropolis Limited *(Note 1)*	Beneficial owner	**[REDACTED]**	**[REDACTED]**
Mr. Chan *(Note 1)*	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**
W & Q Investment *(Note 2)*	Beneficial owner	**[REDACTED]**	**[REDACTED]**
Mr. Liu *(Note 2)*	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**

Notes:

(1) Immediately following the completion of the Capitalisation Issue and the **[REDACTED]**, Mr. Chan directly owns 100% of Acropolis Limited, which will in turn hold approximately **[REDACTED]** of the issued share capital of the Company. Mr. Chan is deemed, or taken to be interested in, all the Shares held by Acropolis Limited for the purpose of the SFO.

(2) Immediately following the completion of the Capitalisation Issue and the **[REDACTED]**, Mr. Liu directly owns 100% of W & Q Investment, which will in turn hold approximately **[REDACTED]** of the issued share capital of the Company. Mr. Liu is deemed, or taken to be interested in, all the Shares held by W & Q Investment for the purpose of the SFO.

Save as disclosed above, the Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the **[REDACTED]** have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the **[REDACTED]**.

Authorised share capital:		*US$*
[500,000,000]	Shares of US$0.01 each	[5,000,000]
Issued and to be issued, fully paid or credited as fully paid:		
1,000,000	Shares in issue as at the date of this document	10,000
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Total Shares issued and to be issued upon completion of the Capitalisation Issue and the **[REDACTED]**	**[REDACTED]**

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of **[REDACTED]** and at all times thereafter, the Company must maintain the minimum prescribed percentage of 25% of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The **[REDACTED]** will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this document save for the entitlements under the Capitalisation Issue.

GENERAL MANDATES GRANTED TO THE DIRECTORS

Subject to the **[REDACTED]** becoming unconditional, general mandates have been granted to the Directors to allot and issue Shares and to repurchase Shares.

Please refer to "Statutory and General Information – A. Further information about the Company – 3. Written resolutions of the Shareholders to be passed" in Appendix V to this document for details of such general mandates.

You should read this section in conjunction with the Group's audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this document. The Group's consolidated financial statements have been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

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

OVERVIEW

The Group is principally engaged in the provision of fitting-out and renovation (including alteration and addition) contracting services of Hong Kong premises.

The Group undertakes Fitting-out Projects for construction of newly built commercial premises and residential developments either as a main contractor or nominated subcontractor and it undertakes Renovation Projects for existing commercial premises as a main contractor. During the Track Record Period, all the projects were conducted in Hong Kong.

In respect of either the Fitting-out Projects or the Renovation Projects, the Group is responsible for the overall implementation of the projects according to the required scope of work, which generally includes planning, coordination, monitoring and supervision for the whole construction period until completion. We manage the cost, time and quality of the project through the management of subcontractors, materials and equipment procurement. The Group generally does not directly employ the site labour force on projects but engages subcontractors to perform the site work, including site work requiring relevant qualifications or licences, which is in line with the market practice. The Group has its in-house team of experienced staff with extensive project management experience and engineering knowledge with the capability to deliver quality work in conformity with the client's expectation and the prescribed timeframe. The in-house team facilitates the smooth progress of the projects by managing daily matters that arise during the course of the projects. The Group also offers interior design as a value-added service to its clients on a case-by-case basis.

For Fitting-out Projects our clients mainly include property developers and main contractors which were instructed by property developers to appoint us as nominated subcontractor for fitting-out work for commercial premises and residential developments. For Renovation Projects, our clients mainly include property developers, landlords, government authority, international retail brand and renowned local retailer for renovation work and alteration and addition work for commercial premises, including hotels, grade A office premises and shops.

The Directors believe that our ability to provide value-added services by initiating, reviewing and commenting on the design details of a project has contributed not only to our success but also allow us to maintain a close relationship with our clients. To achieve timely completion of the projects for our clients with a high quality standard acceptable to them, we engage experienced and reliable major material suppliers and service subcontractors who had long established relationships with us. For details, please refer to "Business – Competitive Strengths" in this document.

Revenue from a project mainly represents the contracting fee income, while the major costs of a project incurred by us include subcontracting charges incurred by us and costs of material required for the performance of the work.

The following table sets out a breakdown of the Group's revenue generated from Fitting-out Projects and Renovation Projects by percentage during the Track Record Period:

	For the year ended 31 March			
	2015		2016	
	HK$'000	*%*	*HK$'000*	*%*
Fitting-out Projects	19,300	23.6	63,879	35.4
Renovation Projects	62,361	76.4	116,512	64.6
	81,661	100.0	180,391	100.0

BASIS OF PRESENTATION

Prior to the Reorganisation, the provision of fitting-out works, renovation works and alteration and addition works were carried out by Aeso Limited.

To rationalise the corporate structure in preparation for the **[REDACTED]** on the GEM of the Stock Exchange, the entities comprising the Group underwent the Reorganisation which mainly involved (i) incorporation of the Company as an exempted company with limited liability in the Cayman Islands on 10 December 2015 and (ii) interspersing investment holding entities, including the Company and Aeschylus Limited, between Aeso Limited and the ultimate equity shareholder and the controlling shareholder, Mr. Chan.

Pursuant to the Reorganisation, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and Aeschylus Limited between Mr. Chan and Aeso Limited. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group. The financial information relating to the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period includes the results of operation and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 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 as at the respective dates, taking into account the respective dates of incorporation.

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted HKFRS, Hong Kong Accounting Standards, amendments and interpretations issued by HKICPA which are effective for the accounting periods beginning on 1 April 2015 throughout the Track Record Period.

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group's results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, which are set out below:

Availability of Fitting-out Projects and Renovation Projects in Hong Kong

The Group's business performance is dependent upon the number and availability of Fitting-out Projects and Renovation Projects in Hong Kong, which is in turn affected by various factors, such as the general economic conditions in Hong Kong, changes in government policies relating to Hong Kong property market and the sentiment of the Hong Kong property market.

According to the Frost & Sullivan Report, the market size of the fitting-out works industry and the renovation, alteration and addition works industry is expected to grow at a CAGR of approximately 14.7% and 18.4%, respectively from 2015 to 2020. The Directors believe that the Group will benefit from the continuous growth in demand of our services.

Costs and availability of subcontractors in Hong Kong

In delivering our services, we generally engage subcontractors to perform a range of site work. For the years ended 31 March 2015 and 2016, subcontracting charges incurred by the Group amounted to approximately HK$43.4 million and HK$112.0 million, respectively, representing approximately 64.8% and 75.3% of the cost of services, respectively. Depending on the requirements of a project, subcontractors with different skills may be required and the availability of competent subcontractors will directly affect our ability to take up new projects. Sometimes, we may need to compete with our competitors for qualified subcontractors as there is no assurance that the supply of labour will always be stable. In such case, our subcontracting costs may increase, which will in turn affect our results of operations.

We believe that our strong and stable relationship with subcontractors is vital in achieving a sustainable growth of the Group.

Availability of financial resources to undertake projects

The aggregate number and size of projects that the Group is able to undertake is dependent upon the amount of the Group's available working capital. As our completed works are subject to examination by our clients, there are often time lags between making payments to subcontractors and receiving payments from clients. Given such cash flow mismatch, our financial strength is of utmost importance to the Group as it affects our ability to take up various projects at the same time.

In addition, some projects undertaken by the Group may involve the provision of surety bonds. We believe that the availability of funding sources will continue to have a significant impact to our results of operations and financial condition.

Accuracy in the estimation of time and costs involved in projects when providing fee quotes

Most of the Group's revenue is derived from fixed-price contracts, with prices being determined by reference to the Group's tender submissions or quotations, and are often substantially agreed to at the time a contract is awarded. The Group needs to estimate the time and costs involved in a project in order to determine the tender price/quotation. Particularly, our projects are in general labour intensive and labour cost is one of the major components of the project costs. In addition, the Group is responsible for, at its own expense, rectifying any defects of works carried out by the Group in the defect liability period.

If the costs for a project exceed the contracted price or the Group has to carry out any rectifications for material defects during the defect liability period, the Group may incur losses. During the Track Record Period, we did not experience any cost overrun that would materially affect the Group's results of operations or financial condition.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Group's financial position and results of operations as included in this document is based on the consolidated financial statements prepared using the significant accounting policies set forth in Note 4 to the Accountants' Report set out in Appendix I to this document, which conform with the HKFRSs.

Below is a summary of certain significant accounting policies that the Group believes are important to the presentation of its financial results and positions. The Group also has other accounting policies that the Group considers to be significant, the details of which are set forth in Note 4 to the Accountants' Report set out in Appendix I to this document.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group's policy for recognition of revenue from construction contracts is described in "Construction contracts" below.

Management fee income is recognised when the relevant services are rendered.

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by the proportion that the value of work carried out during the year. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probably will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under account and other receivables.

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) 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.

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.

Interest income is recognised on an effective interest basis for debt instruments.

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 accounts and other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where 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 and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

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

The amount of 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 account receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses 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.

(ii) Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group 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.

Financial liabilities

Financial liabilities, including accounts and other payables, advances drawn on accounts receivables factored with recourse, amount due to ultimate holding company, amount due to a director, dividend payable, bank borrowings and bank overdrafts, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty that the Group uses in applying its accounting policies are set out in Note 5 to the Accountants' Report set out in Appendix I to this document. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Revenue recognition of construction works

The Group recognises contract revenue and profit of a construction contract according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contract. Estimated contract costs, which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Estimated impairment of account and retention receivables

Management estimates the recoverability of account and retention receivables based on objective evidence. 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 at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2015 and 2016, the carrying amounts of account and retention receivables of the Group were approximately HK$25.5 million and HK$19.7 million, respectively.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out the Group's consolidated statements of profit or loss and other comprehensive income during the Track Record Period, which was derived from the Accountants' Report set out in Appendix I to this document:

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Revenue	81,661	180,391
Cost of services	(66,936)	(148,757)
Gross profit	14,725	31,634
Other income	15	13
Other gains and losses	–	764
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**
Administrative expenses	(8,844)	(12,290)
Finance costs	(234)	(705)
Profit before tax	5,662	17,003
Income tax expense	(914)	(3,281)
Profit and total comprehensive income for the year	4,748	13,722

Revenue

The following table sets out a breakdown of the Group's revenue by Fitting-out Projects and Renovation Projects during the Track Record Period:

	For the year ended 31 March			
	2015		**2016**	
	HK$'000	*%*	*HK$'000*	*%*
Fitting-out Projects	19,300	23.6	63,879	35.4
Renovation Projects	62,361	76.4	116,512	64.6
	81,661	100.0	180,391	100.0

During the Track Record Period, the majority of our revenue was derived from Renovation Projects.

The following table sets out a breakdown of the Group's revenue by projects undertaken by the Group in the capacity of main contractor and subcontractor during the Track Record Period:

	For the year ended 31 March			
	2015		2016	
	HK$'000	*%*	*HK$'000*	*%*
Renovation Projects				
Main-contractor	62,361	76.4	116,512	64.6
Fitting-out Projects				
Main-contractor	6,070	7.4	23,859	13.2
Subcontractor	13,230	16.2	40,020	22.2
	81,661	100.0	180,391	100.0

During the Track Record Period, the Group undertake all the Renovation Projects in the capacity of a main contractor. For Fitting-out Projects, the Group either act in the capacity of a main contractor or subcontractor. During the Track Record Period, the majority of our revenue from Fitting-out Projects was derived from those projects where we acted as subcontractor.

Cost of services

	For the year ended 31 March			
	2015		2016	
	HK$'000	*%*	*HK$'000*	*%*
Subcontracting charges	43,376	64.8	112,006	75.3
Materials costs	7,822	11.7	13,569	9.1
Demolition and cleaning costs	3,383	5.1	11,842	8.0
Direct labour costs	8,247	12.3	7,573	5.1
Others	4,108	6.1	3,767	2.5
	66,936	100.0	148,757	100.0

Cost of services primarily comprises:

(i) Subcontracting fees represent the fees paid and payable to subcontractors who provide site works for both Fitting-out Projects and Renovation Projects. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting charges		+5%	+10%	-5%	-10%
Change in profit before tax	**Profit before tax per Accountants' Report**	**Change in profit before tax**			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015	5,662	-2,169	-4,338	+2,169	+4,338
Year ended 31 March 2016	17,003	-5,600	-11,201	+5,600	+11,201

Change in profit after tax	**Profit after tax per Accountants' Report**	**Change in profit after tax**			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015	4,748	-1,811	-3,622	+1,811	+3,622
Year ended 31 March 2016	13,722	-4,676	-9,353	+4,676	+9,353

(ii) Materials costs mainly include the purchase of materials being installed in the Group's projects. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's materials costs on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in direct material costs		+5%	+10%	-5%	-10%
	Profit before tax per Accountants' Report	**Change in profit before tax**			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015	5,662	-391	-782	+391	+782
Year ended 31 March 2016	17,003	-678	-1,357	+678	+1,357

	Profit after tax per Accountants' Report	Change in profit after tax			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015	4,748	-326	-653	+326	+653
Year ended 31 March 2016	13,722	-566	-1,133	+566	+1,133

(iii) Demolition and cleaning costs represent expenses paid to site cleaning companies for demolishing old decorations and cleaning at completion of projects;

(iv) Direct labour costs mainly represent salaries paid to our project management team and casual workers who are directly involved in the provision of the Group's services; and

(v) Others mainly represent (i) site and workers insurance fees; and (ii) transportation expenses for both Fitting-out Projects and Renovation Projects.

Gross profit and gross profit margin

The table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by Fitting-out Projects and Renovation Projects:

	For the year ended 31 March			
	2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*
Fitting-out Projects	3,127	16.2	10,822	16.9
Renovation Projects	11,598	18.6	20,812	17.9
	14,725	18.0	31,634	17.5

Gross profit for each business segment is calculated as segment revenue minus cost of services allocated to the segment. Segment cost of services mainly includes subcontracting charges, materials costs, demolition and cleaning costs, direct labour costs and others.

For both Fitting-out Projects and Renovation Projects, we adopt a cost-plus pricing model and when determining the appropriate mark-up, we take into account a number of factors. Please refer to "Business – Clients – Pricing strategies" for details of our pricing strategies.

During the Track Record Period, profit margin for both Fitting-out Projects and Renovation Projects had remained relatively stable at between 16.2% and 16.9% and between 18.6% and 17.9%, respectively. The Directors believe we are able to undertake Fitting-out Projects and Renovation Projects at similar margin.

Please refer to "Financial Information – Comparison of results of operations" in this section for a discussion of the fluctuation of the Group's gross profit margin during the Track Record Period.

Other income

The table below sets forth a breakdown of the Group's other income by nature during the Track Record Period:

	For the year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Bank interest income	9	13
Management fee income	6	–
	15	13

The other income of the Group represents bank interest income and management fee income from Hue166 Company, a related company of the Group, for provision of management services.

Other gains and losses

The table below sets forth a breakdown of the Group's other gains and losses by nature during the Track Record Period:

	For the year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Fair value change on property, plant and equipment upon distribution	–	825
Loss on written off of property, plant and equipment	–	(61)
	–	764

The other gains and losses of the Group mainly represent gain on fair value changes upon distribution in the form of dividend of three motor vehicles to Mr. Chan for the year ended 31 March 2016.

Administrative expenses

The table below sets forth a breakdown of the Group's administrative and other operating expenses by nature during the Track Record Period:

	For the year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Staff costs, including directors' emoluments	4,728	7,169
Operating lease rentals in respect of office premises	1,114	1,066
Auditors' remuneration	96	1,000
Depreciation of property, plant and equipment	785	706
Entertainment	451	542
Legal and professional fee	21	530
Motor vehicles expenses	304	355
Travelling	191	232
Bank charges	95	211
Building management fees	142	142
Other expenses	917	337
	8,844	12,290

The administrative and other operating expenses mainly comprise:

(i) staff costs (including directors' emoluments), which include salaries and benefits provided to Mr. Chan and administrative staff; and

(ii) operating lease rental on premises, which represents rental expenses for the Group's rented premises;

(iii) auditors' remuneration, which are fees to the auditors;

(iv) depreciation of property, plant and equipment, which is the depreciation of the Group's leasehold improvement, furniture, fixtures and office equipment;

(v) entertainment expenses, which mainly include costs incurred to maintain relationship with the Group's existing and potential clients and suppliers.

(vi) legal and professional fee, which mainly includes fees paid for legal services and tax filing service obtained by the Group;

Finance cost

The Group's finance cost during each of the Track Record Period is as below:

	For the year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Interest on:		
Bank overdrafts	156	341
Bank borrowings	21	213
Advances drawn on account receivables factored with recourse	8	119
Finance leases	49	32
	234	705

The finance cost of the Group mainly represented interest on bank overdrafts, bank borrowings and interest on advances drawn on account receivables factored with recourse.

Income tax expenses

The Group is subject to Hong Kong Income Tax at a rate of 16.5% for the Track Record Period. The tax expenses for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Profit before tax	5,662	17,003
Tax charge at Hong Kong Profits Tax Rate of 16.5%	934	2,805
Tax effect of expenses not deductible for tax purpose	–	512
Tax effect of income not taxable for tax purpose	–	(16)
Others	(20)	(20)
	914	3,281

COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2016 compared to year ended 31 March 2015

Revenue

The revenue of the Group increased from approximately HK$81.7 million for the year ended 31 March 2015 to approximately HK$180.4 million for the year ended 31 March 2016, representing an increase of approximately 120.9% as follows:

	For the year ended 31 March		
	2015	**2016**	**Change**
	HK$'000	*HK$'000*	*%*
Fitting-out Projects	19,300	63,879	231.0
Renovation Projects	62,361	116,512	86.8
Total revenue	81,661	180,391	120.9

The increase in total revenue was mainly attributable to (i) an increase in revenue from Fitting-out Projects from approximately HK$19.3 million for the year ended 31 March 2015 to approximately HK$63.9 million for the year ended 31 March 2016; and (ii) an increase in revenue from Renovation Projects from approximately HK$62.4 million for the year ended 31 March 2015 to approximately HK$116.5 million for the year ended 31 March 2016.

The increase in revenue from Fitting-out Projects was mainly attributable to (i) increase in revenue recognised by approximately HK$30.3 million for the fitting-out work of typical flats and floors for a residential development in Western District and approximately HK$16.5 million for the fitting-out work of houses for a residential development in New Territories as greater portions of these projects were completed during the year ended 31 March 2016; and partially offset by (ii) decrease in revenue recognised by HK$4.9 million for the fitting out of typical flats and floors for residential units in West Kowloon as majority of the work was performed during the year ended 31 March 2015.

The increase in revenue from Renovation Projects was mainly attributable to (i) new projects such as the renovation and alteration and addition work of a hotel in Western District and renovation work of a grade A office in Central, which contributed to the revenue of the Group of HK$31.4 million and HK$16.1 million, respectively; (ii) increase in revenue recognised by approximately HK$23.3 million for the renovation of toilets at a grade A office building in Wan Chai as greater portions of this project was completed during the year ended 31 March 2016; and partially offset by (iii) decrease in revenue recognised by HK$21.5 million for the renovation and alteration and addition work of a hotel in West Kowloon as majority of the work was performed during the year ended 31 March 2015.

As discussed in "Business – Contracts entered into and projects undertaken during the Track Record Period" in this document, the number of projects with revenue contribution in the range of HK$10 million and HK$50 million increased from two projects for the year ended 31 March 2015 to six projects for the year ended 31 March 2016 with the average revenue recognised per project increased from approximately HK$4.5 million for the year ended 31 March 2015 to approximately HK$9.5 million for the year ended 31 March 2016, while the number of projects with revenue contribution remained stable for the years ended 31 March 2015 and 2016.

Cost of services

The cost of services of the Group increase from approximately HK$66.9 million for the year ended 31 March 2015 to approximately HK$148.8 million for the year ended 31 March 2016, which represented an increase of approximately 122.2% as follows:

	Total			Fitting-out Projects			Renovation Projects		
	For the year ended 31 March		Change	For the year ended 31 March		Change	For the year ended 31 March		Change
	2015	2016		2015	2016		2015	2016	
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*%*
Subcontracting charges	43,376	112,006	158.2	10,829	42,573	293.1	32,547	69,433	113.3
Materials costs	7,822	13,569	73.5	577	3,240	461.5	7,245	10,329	42.6
Demolition and cleaning costs	3,383	11,842	250.0	724	2,295	217.0	2,659	9,547	259.0
Direct labour costs	8,247	7,573	-8.2	3,048	4,022	32.0	5,199	3,551	-31.7
Others	4,108	3,767	-8.3	996	923	-7.3	3,112	2,844	-8.6
Total	66,936	148,757	122.2	16,174	53,053	228.0	50,762	95,704	88.5

The increase in cost of services was mainly attributable to (i) an increase in cost of services relating to Renovation Projects from approximately HK$50.8 million for the year ended 31 March 2015 to approximately HK$95.7 million for the year ended 31 March 2016; and (ii) an increase in cost of services relating to Fitting-out Projects from approximately HK$16.2 million for the year ended 31 March 2015 to approximately HK$53.1 million for the year ended 31 March 2016.

The increase in cost of services by approximately 122.2% was in line with the increase in revenue by approximately 120.9%. Except for the decrease in direct labour costs by 8.2% as the Group outsourced more of its demolition and cleaning work to site cleaning companies, all the other types of cost of services, namely subcontractors charges, materials costs and demolition and cleaning costs increased substantially by 158.2%, 73.5% and 250.0%, respectively.

Gross profit and gross profit margin

The Group's total gross profit increased from approximately HK$14.7 million for the year ended 31 March 2015 to approximately HK$31.6 million for the year ended 31 March 2016, of which gross profit for Fitting-out Projects increased from approximately HK$3.1 million for the year ended 31 March 2015 to approximately HK$10.8 million for the year ended 31 March 2016, and gross profit for Renovation Projects increased from approximately HK$11.6 million for the year ended 31 March 2015 to approximately HK$20.8 million for the year ended 31 March 2016.

The gross profit margin for both Fitting-out Projects and Renovation Projects had remained relatively stable at between 16.2% and 16.9% and between 18.6% and 17.9%, respectively, during the Track Record Period.

Other income

During the Track Record Period, there was no material other income.

Other gains and losses

The other gains and losses of the Group increased from nil for the year ended 31 March 2015 to approximately HK$0.8 million for the year ended 31 March 2016 which was attributable to fair value changes upon distribution of three motor vehicles to Mr. Chan in the form of dividend during the year ended 31 March 2016.

Administrative expenses

The administrative expenses of the Group increased from approximately HK$8.8 million for the year ended 31 March 2015 to approximately HK$12.3 million for the year ended 31 March 2016 which was mainly attributable to (i) increase in staff costs amounted to HK$2.4 million due to increase in salary level and headcounts for the year ended 31 March 2016; and (ii) increase in auditor's remuneration by approximately HK$0.9 million for the year ended 31 March 2016.

Finance costs

The finance costs increased from approximately HK$0.2 million for the year ended 31 March 2015 to approximately HK$0.7 million for the year ended 31 March 2016 which was mainly attributable to business growth in the year as evidenced by the increase in revenue for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately 200.3% from approximately HK$5.7 million for the year ended 31 March 2015 to approximately HK$17.0 million for the year ended 31 March 2016.

Income tax expense

The Group's income tax expense increased 259.0% from approximately HK$0.9 million for the year ended 31 March 2015 to approximately HK$3.3 million for the year ended 31 March 2016. The increase was mainly attributable to the increase in profit before tax from approximately HK$5.7 million for the year ended 31 March 2015 to approximately HK$17.0 million for the year ended 31 March 2016.

Profit for the year

The Group's profit for the year increased by approximately 189.0% from approximately HK$4.7 million for the year ended 31 March 2015 to approximately HK$13.7 million for the year ended 31 March 2016, which was mainly due to the combined effect of abovementioned items.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows and borrowings from banks. The Directors believe that in the long term, the Group's operation will be funded by internally generated cash flows and bank borrowings and overdrafts and, if necessary, additional equity financing.

Cash flow

The following table set forth selected cash flow data from the Group's consolidated statements of cash flows for the years indicated:

	For the year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Net cash (used in)/from operating activities	(19,244)	28,700
Net cash used in investing activities	(1,996)	(2,910)
Net cash used in financing activities	(1,627)	(786)
Net (decrease)/increase in cash and cash equivalents	(22,867)	25,004
Cash and cash equivalent at beginning of the year	7,489	(15,378)
Cash and cash equivalent at end of the year	(15,378)	9,626

Net cash flow used in/from operating activities

For the year ended 31 March 2015, the Group recorded net cash used in operating activities of approximately HK$19.2 million, primarily as a result of our profit before tax of approximately HK$5.7 million, an increase in account and other payables of approximately HK$7.7 million and offset by an increase in account and other receivables of approximately HK$18.2 million which was mainly due to an increase in account receivables and an increase in amounts due from customers for contract works of approximately HK$16.3 million.

For the year ended 31 March 2016, the Group recorded net cash from operating activities of approximately HK$28.7 million, primarily as a result of profit before tax of approximately HK$17.0 million, a decrease in amounts due from customers for contract works of approximately HK$4.5 million and a decrease in account and other receivables of approximately HK$6.2 million which was mainly due to a decrease in account receivables.

Net cash used in investing activities

For the year ended 31 March 2015, the Group recorded net cash used in investing activities of approximately HK$2.0 million, primarily as a result of placement of pledged bank deposits of approximately HK$6.0 million, purchase of property, plant and equipment of approximately HK$0.2 million, advance to related companies of approximately HK$0.1 million which is partly offset by withdrawal of pledged bank deposits of approximately HK$4.0 million, repayments from related companies of approximately HK$0.2 million and interest income of approximately HK$9,000.

For the year ended 31 March 2016, the Group recorded net cash used in investing activities of approximately HK$2.9 million, primarily as a result of placement of pledged bank deposits of approximately HK$2.0 million, purchase of property, plant and equipment of approximately HK$65,000, and advance to a director of approximately HK$3.1 million which is partly offset by withdrawal of pledged bank deposits of approximately HK$2.0 million, repayment from related companies of approximately HK$0.2 million and interest income of approximately HK$13,000.

Net cash used in financing activities

For the year ended 31 March 2015, the Group recorded net cash used in financing activities of approximately HK$1.6 million, primarily as a result of repayment of factoring account receivables of approximately HK$4.8 million, repayment of bank borrowings of approximately HK$3.0 million, repayment of obligations under finance leases of approximately HK$0.6 million, interest paid of approximately HK$0.2 million and dividend paid of approximately HK$5.0 million, which is partly offset by advances drawn on factoring account receivables of approximately HK$6.4 million, bank borrowings raised of approximately HK$4.0 million, and advances from a director of approximately HK$1.6 million,.

For the year ended 31 March 2016, the Group recorded net cash used in financing activities of approximately HK$0.8 million, primarily as a result of repayment of factoring account receivables of approximately HK$37.9 million, repayment of bank borrowings of approximately HK$28.2 million, repayment of obligations under finance leases of approximately HK$1.3 million, interest paid of approximately HK$0.7 million and repayment to a director of approximately HK$0.4 million which is partly offset by advances drawn on factoring account receivables of approximately HK$38.0 million, bank borrowings raised of approximately HK$29.6 million, advances from ultimate holding company of approximately HK$0.2 million and proceeds from issue of shares of approximately HK$40,000.

NET CURRENT ASSETS

The following table sets forth the breakdown of the Group's current assets and liabilities as at the dates indicated:

	As at 31 March		As at
	2015	**2016**	**30 April 2016**
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Current assets			
Amounts due from customers for contract works	23,682	19,187	23,423
Account and other receivables	28,443	22,233	18,235
Amounts due from related companies	230	–	–
Pledged bank deposits	2,009	2,021	2,021
Bank balances and cash	472	9,626	19,451
	54,836	53,067	63,130
Current liabilities			
Amounts due to customers for contract works	980	921	420
Account and other payables	19,151	20,218	13,171
Advances drawn on account receivables factored with recourse	1,632	1,678	1,513
Amount due to ultimate holding company	–	173	173
Amount due to a director	356	1	1
Dividend payable	–	1,924	1,921
Bank borrowings	971	2,335	2,335
Bank overdrafts	15,850	–	–
Obligation under finance leases	434	–	–
Tax payable	259	2,980	2,980
	39,633	30,230	22,514
Net current assets	15,203	22,837	40,616

As at 31 March 2015, the Group recorded net current assets of approximately HK$15.2 million. The key components of the Group's current assets as at 31 March 2015 included amounts due from customers for contract works of approximately HK$23.7 million, account and other receivables of approximately HK$28.4 million, amounts due from related companies of approximately HK$0.2 million, pledged bank deposits of approximately HK$2.0 million and bank balances and cash of approximately HK$0.5 million. The key components of the Group's current liabilities as at 31 March 2015 included amounts due to customers for contract works of approximately HK$1.0 million, account and other payables of approximately HK$19.2 million, advances drawn on account receivables factored with recourse of approximately HK$1.6 million, amount due to a director of approximately HK$0.4 million, bank borrowings of approximately HK$1.0 million, bank overdrafts of approximately HK$15.9 million, obligation under finance leases of approximately HK$0.4 million and tax payable of approximately HK$0.3 million.

As at 31 March 2016, the Group recorded net current assets of approximately HK$22.8 million. The key components of the Group's current assets as at 31 March 2016 included amounts due from customers for contract works of approximately HK$19.2 million, account and other receivables of approximately HK$22.2 million, pledged bank deposits of approximately HK$2.0 million and bank balances and cash of approximately HK$9.6 million. The key components of the Group's current liabilities as at 31 March 2016 included amounts due to customers for contract works of approximately HK$0.9 million, account and other payables of approximately HK$20.2 million, advances drawn on account receivables factored with recourse of approximately HK$1.7 million, amount due to ultimate holding company of approximately HK$0.2 million, dividend payable of approximately HK$1.9 million, bank borrowings of approximately HK$2.3 million and tax payable of approximately HK$3.0 million.

The increase in the Group's net current assets as at 31 March 2016 compared to that as at 31 March 2015 was mainly due to decrease in current liabilities from approximately HK$39.6 million as at 31 March 2015 to approximately HK$30.2 million as at 31 March 2016, which was in turn primarily resulted from the profit for the year of approximately HK$13.7 million.

Further discussion of the fluctuation in the key components of the Group's net current assets is set forth in the paragraphs below.

As at 30 April 2016, being the latest practicable date for ascertaining the Group's net current assets position, the Group recorded net current assets of approximately HK$40.6 million. The increase in the Group's net current assets as at 30 April 2016 compared to that as at 31 March 2016 was mainly due to increase in bank balances and cash of approximately HK$9.8 million as a result of proceeds from Pre-**[REDACTED]** Investment.

INVENTORY ANALYSIS

The Group did not maintain inventory as at the end of each year during the Track Record Period.

ACCOUNT AND OTHER RECEIVABLES ANALYSIS

Overview

The Group's account and other receivables as at 31 March 2015 and 2016 amounted to approximately HK$28.4 million and HK$22.2 million respectively, details of which are set out below:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Account receivables	17,685	8,837
Retention receivables	7,843	10,901
Other receivables, deposits and prepayments	3,215	2,760
Less: Rental deposits under non-current assets	(300)	(265)
	28,443	22,233

The Group's account and other receivables mainly comprise account receivables, retention receivables and other receivables, deposits and prepayments. Account receivables represent receivables from the Group's clients arising from the provision of services. Retention receivables represent retention money withheld by some of the Group's clients, usually capped at the rate of 5% of total contract sum. Retention receivables are released by the clients in accordance with the respective agreements with clients, which is generally released as to 50% upon the issue of practical completion certificate and as to the remaining 50% upon issuance of certificate of making good defects at the end of the defect liability period, which is generally 12 months from the date of the certificate of practical completion. Other receivables, deposits and prepayments mainly represent project deposit paid to sub-contractors and rental deposits.

The Group's account and other receivables decreased from approximately HK$28.4 million as at 31 March 2015 to approximately HK$22.2 million as at 31 March 2016, representing a decrease of approximately 21.8%. Such decrease was mainly due to (i) decrease in account receivables as (a) account receivables from one of our top five clients decreased from HK$8.6 million as at 31 March 2015 to HK$1.2 million as at 31 March 2016 and (b) there were more invoices issued to our clients towards the end of year ended 31 March 2015 compared to those issued towards the end of year ended 31 March 2016; and partially offset by (ii) increase in retention receivables from approximately HK$7.8 million respectively as at 31 March 2015 to approximately HK$10.9 million as at 31 March 2016 due to business growth in the year as evidenced by the increase in revenue for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015.

Aging analysis and subsequent settlement

The Group generally offers an average credit period of 30 days to its clients for both Fitting-out Projects and Renovation Projects.

The aged analysis of the Group's account receivables based on invoice dates at the end of each reporting period, which approximated the respective revenue recognition dates are as follows:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Account receivables:		
1 – 30 days	17,685	8,837

Set out below are the subsequent settlements of the Group's account receivables as at 31 March 2016:

	Account receivable as at 31 March 2016	**Subsequent settlement up to 30 April 2016**	**Amount remained outstanding as at 30 April 2016**
	HK$'000	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Account receivables:			
1 – 90 days	8,837	4,186	4,651
	8,837	4,186	4,651

Up to 30 April 2016, approximately 47.4% of account receivables as at 31 March 2016 had been settled.

None of the Group's account receivables are past due but not impaired as at the end of both reporting periods.

Before accepting any new client, the Group assesses the potential client's credit quality and defines credit limits by client. Limits and scoring attributed to clients are reviewed periodically. The Group's account receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

In determining the recoverability of account receivables and retention receivables, the Group considers any change in the credit quality of the account receivables from the date credit was initially granted up to the end of the reporting period.

Account receivables turnover days

The following table sets out the account receivables turnover days during the Track Record Period:

	For the year ended 31 March	
	2015	**2016**
Account receivables turnover days *(note)*	58	27

Note: Account receivables turnover days is calculated based on the average of the beginning and ending balance of account receivables divided by revenue for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

The Group generally offers an average credit period of 30 days to its clients for both Fitting-out Projects and Renovation Projects. For the years ended 31 March 2015 and 2016, the account receivable turnover days was approximately 58 days and 27 days, respectively.

A relatively high account receivables turnover days (calculated based on the average of the beginning and ending balance of accounts receivable divided by revenue for the year and multiplied by the number of days of the year) was recorded for the year ended 31 March 2015 mainly because (i) account receivables from one of our top five clients decreased from HK$8.6 million as at 31 March 2015 to HK$1.2 million as at 31 March 2016; and (ii) there were more invoices issued to our clients towards the end of year ended 31 March 2015 compared to those issued towards the end of year ended 31 March 2016, which led to a significant increase in the account receivable balance as at 31 March 2015 compared to 31 March 2016. The account receivables turnover days for the year ended 31 March 2016 is within the 30 days credit period we generally offered to our clients.

Retention receivables

Retention receivables net of impairment amounted to approximately HK$7.8 million and HK$10.9 million as at 31 March 2015 and 2016, respectively. The Directors consider that the changes were generally consistent with the Group's business growth during the Track Record Period.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of each reporting period:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
On demand or within one year	7,710	10,842
After one year	133	59
	7,843	10,901

In determining the recoverability of retention receivables, the Group considers any change in the credit quality of the account receivables from the date credit was initially granted up to the end of the reporting period. As at 31 March 2015 and 2016, none of retention receivables was individually determined to be impaired.

Retention receivables are released by the clients in accordance with the respective agreements with clients, which is generally released as to 50% upon the issue of practical completion certificate and as to the remaining 50% upon issuance of certificate of making good defects at the end of the defect liability period, which is generally 12 months from the date of the certificate of practical completion. Up to 30 April 2016, none of retention receivables as at 31 March 2016 had been subsequently settled, because none of the defect liability periods of our project expired in April 2016.

ACCOUNT AND OTHER PAYABLES ANALYSIS

The account and other payables breakdown of the Group as at the end of each of the Track Record Period is as follows:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Account payables	14,360	8,245
Retention payables	1,188	5,517
Accruals	347	2,526
	15,895	16,288
Advances from customers	3,256	930
Other payables	–	3,000
	19,151	20,218

Account payables mainly represent amounts payable to suppliers such as subcontracting charges and materials costs. The Group's account payables decreased from approximately HK$14.4 million as at 31 March 2015 to approximately HK$8.2 million as at 31 March 2016 as (i) the account payables to one of our top five suppliers, a subcontractor, decreased from HK$5.9 million as at 31 March 2015 to HK$1.4 million as at 31 March 2016; and (ii) there were more payment requests for work completed from our suppliers approved by us towards the end of year ended 31 March 2015 compared to those approved towards the end of year ended 31 March 2016.

Retention payables represent the portion of account payable to the subcontractors that will be released by the Group until the Group receives the corresponding retention money from the clients. All retention payables as at 31 March 2015 and 2016 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period. The Group's retention payables increased from approximately

HK$1.2 million as at 31 March 2015 to approximately HK$5.5 million as at 31 March 2016, which was primarily due to business growth in the year as evidenced by the increase in revenue for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015.

Accruals mainly consist of accruals for (i) subcontracting charges, which were not yet invoiced by the subcontractors; and (ii) staff salaries and allowances; and (iii) other office expenses.

Advances from customers represent unsecured, interest-free and will be utilised to set off progress billings. Such advances relate to provision from certain client pursuant to the clauses under the relevant engagements, where the Group may obtain advances, subject to the predetermined interest rate, from the client, as main contractor, during the project duration under the engagement. The Group's advances from customers decreased from approximately HK$3.3 million as at 31 March 2015 to approximately HK$0.9 million as at 31 March 2016, which was primarily due to progress billings set off during the year ended 31 March 2016.

Other payables represent deposits resulted from Pre-**[REDACTED]** Investment during the year ended 31 March 2016.

Ageing analysis of the Group's account payables based on invoice dates at the end of each reporting period is as follows:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Account payables:		
1 – 30 days	11,470	7,987
31 – 60 days	246	–
61 – 90 days	1,265	–
Over 90 days	1,379	258
	14,360	8,245

Up to 30 April 2016, approximately 79.2% of the account payables as at 31 March 2016 had been settled.

The following table sets out the account payables turnover days during the Track Record Period:

	For the year ended 31 March	
	2015	**2016**
Account payables turnover days *(note)*	56	28

Note: Account payables turnover days is calculated based on the average of the beginning and ending balance of account payables divided by cost of services for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Credit terms offered by the Group's suppliers and subcontractors is generally 30 days from the date of invoice. For the years ended 31 March 2015 and 2016, the account payable turnover days was approximately 56 days and 28 days, respectively.

A relatively high account payables turnover days (calculated based on the average of the beginning and ending balance of account payables divided by the costs of services for the year and multiplied by the number of days of the year) was recorded for the year ended 31 March 2015 mainly because (i) the account payables to one of our top five suppliers, a subcontractor, decreased from HK$5.9 million as at 31 March 2015 to HK$1.4 million as at 31 March 2016; and (ii) there were more payment requests for work completed from our suppliers approved by us towards the end of year ended 31 March 2015 compared to those approved towards the end of year ended 31 March 2016, which led to a significant increase in the account payable balance as at 31 March 2015 compared to 31 March 2016. The account payables turnover days for the year ended 31 March 2016 is within the 30 days credit period generally granted by our suppliers.

AMOUNT DUE FROM/ TO CUSTOMERS FOR CONTRACT WORK

Amount due to customers for contract work represents construction contracts in progress where the Group's progress billings exceed costs incurred plus recognised profits less recognised losses. Conversely, if costs incurred plus recognised profits exceed progress billings, an amount due from customers for contract work will be recognised as the Group's current assets.

The following table sets forth the Group's contracts costs incurred plus recognised profits less recognised losses and the Group's progress billings as at the dates indicated:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	206,999	377,072
Less: progress billings	(184,297)	(358,806)
	22,702	18,266
Of which:		
Amounts due from customers for contract works	23,682	19,187
Amounts due to customers for contract works	(980)	(921)
	22,702	18,266

The amounts due from customers for contract work are usually affected by the volume and value of construction works we performed close to the end of each reporting period and the timing of receiving interim certificates, and thus vary from period to period.

TAX PAYABLE AND DEFERRED TAX LIABILITIES

The amount of tax payable and deferred tax liabilities were approximately HK$0.3 million and approximately HK$0.2 million respectively as at 31 March 2015. The amount of tax payable and deferred tax liabilities were approximately HK$3.0 million and approximately HK$44,000 respectively as at 31

March 2016. Details of our taxation is set forth in the "Income tax expense" section in Note 15 and the "Deferred tax liabilities" section in Note 28 to the Accountants' Report included in Appendix I to this document.

INDEBTEDNESS

Save as disclosed below or as otherwise disclosed herein, the Group did not have any outstanding loan capital issued and outstanding, and authorised or otherwise created but unissued, terms loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, finance lease commitments, borrowings and debt, mortgages, charges, guarantees or other material contingent liabilities at the close of business on 30 April 2016.

	As at 31 March 2015	**As at 31 March 2016**	**As at 30 April 2016**
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Advances drawn on account receivables factored with recourse			
Within one year	1,632	1,678	1,513
Amount due to ultimate holding company	–	173	173
Amount due to a director	356	1	–
Bank borrowings			
Within one year	971	2,335	2,335
Bank overdrafts			
Within one year	15,850	–	–
Obligations under finance leases			
Within one year	434	–	–
Between 1 – 2 years	915	–	–
Subtotal	1,349	–	–
	20,158	4,187	4,021

During the Track Record Period and as of 30 April 2016, the bank borrowing and advances drawn on account receivables factored with recourse are personally guaranteed and/or secured by certain assets held by Mr. Chan, spouse of Mr. Chan and/or a close family member of Mr. Chan and the Group.

The variable-rate bank borrowings carry interests at certain basis points over Hong Kong Interbank Offered Rate ("HIBOR") or Hong Kong Dollar Prime Rate quoted by certain banks in Hong Kong.

The variable-rate advances drawn on account receivables factored with recourse carry interest at certain basis points over HIBOR quoted by a bank in Hong Kong.

Save as disclosed above, the Group did not have any other security or guarantee provided for bank borrowings as at 30 April 2016.

During the Track Record Period, bank overdrafts are personally guaranteed and/or secured by certain assets held by Mr. Chan, spouse of Mr. Chan and/or a close family member of Mr. Chan.

Personal guarantees provided by Mr. Chan, spouse of Mr. Chan and a close family member of Mr. Chan in respect of all bank borrowing, bank overdrafts and advances drawn on account receivables factored with recourse will be released and replaced by a corporate guarantee provided by the Company upon **[REDACTED]**.

As at 31 March 2016 and 30 April 2016, the Group had outstanding amount due to ultimate holding company of approximately HK$173,000, which was non-guaranteed and unsecured.

During the Track Record Period, the Group had outstanding amount due to a director of approximately HK$1,000, which was non-guaranteed and unsecured

As at the Latest Practicable Date, the Group did not have any plan to raise material external debt financing.

Surety bonds and contingent liability

A customer of construction contract undertaken by the Group require a group entity to issue guarantee for performance of contract works in the form of surety bond. The Group provided a counter-indemnity to an insurance company that issued such surety bond. For the year ended 31 March 2015, the Group paid a cash collateral of HK$1.1 million to an insurance company to issue the surety bond.

As at 30 April 2016, the amount of surety bond provided by the Group was HK$3.6 million. As at the Latest Practicable Date, such surety bond, the related counter-indemnity provided by the Group and personal indemnity of Mr. Chan had been released.

Banking Facilities

The banking facilities of the Group include revolving bank loans, bank overdrafts and factoring facilities. As at 30 April 2016, the Group had utilised revolving bank loans and factoring facilities of HK$2.3 million and HK$1.5 million, respectively. We did not have any bank overdrafts as at 30 April 2016.

During the Track Record Period, the banking facilities were personally guaranteed and/or secured by properties and/or deposits of Mr. Chan and/or his family. The banking facilities were utilised for the working capital and project financing purposes. The Directors confirm that the above personal guarantees and properties will be released and replaced by the corporate guarantees executed by the Group upon **[REDACTED]**.

Please refer to "Relationship with the Controlling Shareholders – Independence from the Controlling Shareholders – Financial independence" in this document for further details in relation to the release of personal guarantees from and properties of Mr. Chan for the banking facilities.

PLEDGED BANK DEPOSITS

At the end of each reporting period, the carrying amount of the asset pledged by the Group to a bank in order to secure a factoring facility granted by a bank to the Group is as follows:

	2015	**2016**
	HK'000	*HK'000*
Fixed charge over the Group's bank deposits	2,009	2,021

CASH AND CASH EQUIVALENTS

The cash and cash equivalents, comprising bank balances and cash, increased from approximately HK$0.5 million as at 31 March 2015 to approximately HK$9.6 million as at 31 March 2016 was mainly attributable to operating cash flows before movements in working capital of approximately HK$17.6 million in the year ended 31 March 2016.

OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

As at the Latest Practicable Date, the Group did not have any off-balance sheet arrangements or commitments.

DISCLAIMER

The Directors confirm that (i) the Group has not experienced any difficulty in obtaining bank borrowings or any default in payment on bank borrowings or any breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in the Group's indebtedness and contingent liabilities since and up to the Latest Practicable Date; (iii) the Directors are not aware of any material defaults in payment of the Group's trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iv) the bank loans, finance lease and bank facility is subject to standard banking conditions and not subject to fulfillment of covenants relating to the financial ratio requirements or any other material covenants which could adversely affect the Group's ability to undertake additional debt or equity financings; and (v) the Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of the Group's bank borrowings and facilities are subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect the Group's ability to undertake additional debt or equity financings.

Save as disclosed in "Financial Information – Indebtedness" in this section, the Group did not have, at the close of business on 30 April 2016, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 March 2016, please refer to Note 35 to the Accountants' Report set out in Appendix I to this document.

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group during the Track Record Period:

	For the year ended/ As at 31 March	
	2015	2016
Return on total assets	8.3%	25.6%
Return on equity	28.9%	58.6%
Net profit margin	5.8%	7.6%
Current ratio	1.4 times	1.8 times
Gearing ratio	1.2 times	0.2 times
Interest coverage	25.2 times	25.1 times

Notes:

1. Return on total assets is calculated based on the profit for the year divided by the total assets as at the end of the year.

2. Return on equity is calculated based on the profit for the year divided by total equity at the end of the year.

3. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective period and multiplied by 100%.

4. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective reporting date.

5. Gearing ratio is calculated based on the total debts divided by total equity as at the respective reporting date. Total debts include all interest-bearing loans and obligations under finance leases.

6. Interest coverage is calculated by the profit before interest and tax divided by the finance cost for the respective period.

Return on total assets

The return on total assets increased from approximately 8.3% in 2015 to approximately 25.6% in 2016. The increase in return on total assets was mainly attributable to the increase in profit from approximately HK$4.7 million for the year ended 31 March 2015 to approximately HK$13.7 million for the year ended 31 March 2016 which represented approximately 189.0% increase. Such increase was primarily resulted from increase in revenue from Fitting-out Projects from approximately HK$19.3 million for the year ended 31 March 2015 to approximately HK$63.9 million for the year ended 31 march 2016, and increase in revenue from Renovation Projects from approximately HK$62.4 million for the year ended 31 March 2015 to approximately HK$116.5 million for the year ended 31 March 2016.

Return on equity

The return on equity increased from approximately 28.9% in 2015 to approximately 58.6% in 2016. The increase in return on equity from 2015 to 2016 was mainly attributable to increase in profit from approximately HK$4.7 million for the year ended 31 March 2015 to approximately HK$13.7 million for the year ended 31 March 2016 which outweighed the increase of equity as at 31 March 2016 comparing with 31 March 2015.

Net profit margin

The net profit margin increased from approximately 5.8% in 2015 to approximately 7.6% in 2016. The increase in net profit margin from 2015 to 2016 was mainly attributed to increase in gross profit from approximately HK$14.7 million for the year ended 31 March 2015 to approximately HK$31.6 million for the year ended 31 March 2016 which outweighed the increase in administrative expenses from approximately HK$8.8 million for the year ended 31 March 2015 to approximately HK$12.3 million for the year ended 31 March 2016.

Current ratio

The current ratio increased from approximately 1.4 as at 31 March 2015 to 1.8 as at 31 March 2016. The increase was mainly attributable to increase in profit for the year ended 31 March 2016 which improved the working capital position of the Group. The Group has been striving to maintain adequate liquidity and working capital position to cope with our operation needs for our projects, and we believe that the current ratio of the Group has been maintained at a healthy level during the Track Record Period.

Gearing ratio

The gearing ratio decreased from approximately 1.2 in 2015 to approximately 0.2 in 2016. The decrease in gearing ratio was attributable to the decrease of bank overdrafts from approximately HK$15.9 million as at 31 March 2015 to nil as at 31 March 2016.

Interest coverage

The interest coverage remained stable during the Track Record Period.

CAPITAL EXPENDITURES AND COMMITMENTS

Operating Lease Commitments

The Group as lessee

At the end of respective reporting periods, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises which fall due as follows:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Within one year	1,161	941
In the second to fifth year inclusive	848	16
	2,009	957

The leases are generally negotiated for lease terms for ranging from one to three years with fixed monthly rentals. None of the leases include any contingent rentals.

[REDACTED] EXPENSES

Our financial performance for the year ending 31 March 2017 will be affected by the non-recurring expenses incurred in relation to the **[REDACTED]**. The total amount of **[REDACTED]** expenses in connection with the **[REDACTED]** is estimated to be approximately HK$**[REDACTED]**, of which HK$**[REDACTED]** is to be capitalised (i.e. accounted for as deduction from equity). The remaining HK$**[REDACTED]** in fees and expenses has been or is expected to be charged to the consolidated statements of profit or loss and other comprehensive income, of which HK$**[REDACTED]** were charged for the year ended 31 March 2016 and HK$**[REDACTED]** will be recognised as expenses during the year ending 31 March 2017, respectively. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of the Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions. Prospective investors should note that the financial performance of the Group for the year ending 31 March 2017 would be significantly affected by the estimated **[REDACTED]** expenses mentioned above.

The **[REDACTED]** expenses will be settled partly by internal funding and proceeds from Pre-**[REDACTED]** Investment, of which HK$**[REDACTED]** has been settled during the Track Record Period.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2016 (being the date to which the latest audited consolidated financial statements of the Group were prepared), and there is no event since 31 March 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group's internal resources, available banking facilities and the estimated net proceeds from the **[REDACTED]**, the Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company had no distributable reserves available for distribution to the Shareholders.

RELATED PARTY TRANSACTIONS

Please refer to the paragraph headed "Related party disclosures" in Note 32 to the Accountants' Report set out in Appendix I to this document.

MARKET RISKS

The Group is, in the normal course of business, exposed to market risks such as interest rate risk, credit risk and liquidity risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on the financial performance.

Financial risk management objectives and policies

The Group's major financial instruments include account and other receivables, amounts due from related parties, bank balances and cash, amount due to a director, trade and other payables, advance drawn on account receivables factored with recourse, amount due to a director and ultimate holding company, dividend payable, bank overdrafts, bank borrowings and obligation under finance leases. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Director manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances, bank overdrafts and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Hong Kong Interbank Offered Rate arising from bank overdrafts and bank borrowings.

The Group's exposure to interest rates on financial liabilities are detailed in "Financial Information – Liquidity risk" in this section.

No sensitivity analysis on interest rate risk on bank deposits is presented as the Director considers the sensitivity on interest rate risk on bank deposits is insignificant.

For sensitivity analysis on interest rates for variable-rate, advance drawn on account receivables factored with recourse, bank overdrafts and bank borrowings, the analysis is prepared assuming that the amount of liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease represent the management's assessment of the reasonable possible change in interest rates of bank borrowings. If interest rates on bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2015 and 2016 would decrease/increase by approximately HK$73,000 and approximately HK$7,000 respectively.

Credit risk

At the end of respective reporting periods, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the Director has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Director has reviewed the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Director considers that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 March 2015 and 31 March 2016 on the Group's top five trade and retention receivables amounting to approximately HK$23.2 million and HK$18.4 million, respectively and accounted for 90.9% and 93.2% of the Group's total account and retention receivables. The Director closely monitor the subsequent settlement of the customers. In this regard, the Director considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate. For details of our liquidity risk, please refer to Note 7b to the Accountants' Report set out in Appendix I to this document.

DIVIDEND POLICY

The Group declared and paid dividends of HK$5.0 million and HK$6.8 million in the two years ended 31 March 2015 and 31 March 2016, respectively. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this document.

The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend declaration of any final dividend would require the approval of the Board and depend upon the following factors:

- the Group's financial results;
- the Group's shareholders' interests;
- general business conditions, strategies and future expansion needs;
- the Group's capital requirements;
- the payment by its subsidiaries of cash dividends to the Company;
- possible effects on liquidity and financial position of the Group; and
- other factors as the Board may consider relevant.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS PER SHARE

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per **[REDACTED]** is HK$**[REDACTED]** and HK$**[REDACTED]** at the lower end **[REDACTED]** of HK$**[REDACTED]** and higher end **[REDACTED]** of HK$**[REDACTED]** respectively, after taking into account of the allotment and issue of

4,900 Shares subscribed by W & Q Investment on 8 April 2016 pursuant to the Pre-**[REDACTED]** Investment. Please refer to Note 5 of "Appendix II – A. Unaudited pro forma statement of adjusted consolidated net tangible assets" in this document for details.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to "Business – Business Strategies" in this document for further details.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, set forth below are the implementation plans of the Group for each of the six-month periods from the Latest Practicable Date until 31 March 2018. It should be noted that the implementation plans are formulated on the bases and assumptions referred to in the paragraphs headed "Bases and assumptions" in this section. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in "Risk factors" in this document.

Objectives	Activities	Use of proceeds *(HK$ million)*
From the Latest Practicable Date to 31 March 2017		
Further developing the Group's contracting business	• The undertaking of more projects and the provision of security for surety bonds	HK$**[REDACTED]**
Acquisition of premises in Hong Kong	• Acquire premises in Chai Wan or Aberdeen, with area of approximately 1,000 to 1,200 sq. ft. to serve as our warehouse and showroom	HK$**[REDACTED]**
Expansion of the Hong Kong office	• Maintain additional office located at 18/F, the Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong to support expansion of business	HK$**[REDACTED]**
Decoration of the Hong Kong office	• Fit out our office located at 18/F, the Pemberton 22-26 Bonham Strand, Sheung Wan, Hong Kong and purchase new office equipment	HK$**[REDACTED]**
Purchase of motor vehicles	• Trade in a light goods vehicle at price of approximately **[REDACTED]** for materials transportation and two vehicles respectively at prices of approximately **[REDACTED]** for transportation of staff	HK$**[REDACTED]**
Further strengthening the Group's in-house team	• Recruit one staff with environmental protection related knowledge or qualifications accredited by international professional bodies, one interior designer and one sales with design background	HK$**[REDACTED]**

Objectives	Activities	Use of proceeds *(HK$ million)*
For the six months ending 30 September 2017		
Further developing the Group's contracting business	• The undertaking of more projects and the provision of security for surety bonds	HK$**[REDACTED]**
Expansion of the Hong Kong office	• Maintain our office located at 18/F, the Pemberton 22-26 Bonham Strand Sheung Wan Hong Kong to support further business development	HK$**[REDACTED]**
Further strengthening the Group's in-house team	• Maintain the payroll of additional staff	HK$**[REDACTED]**
For the six months ending 31 March 2018		
Further developing the Group's contracting business	• The undertaking of more projects and the provision of security for surety bonds	HK$**[REDACTED]**
Expansion of the Hong Kong office	• Maintain our office located at 18/F, the Pemberton 22-26 Bonham Strand Sheung Wan Hong Kong to support further business development	HK$**[REDACTED]***Note(*)*
Further strengthening the Group's in-house team	• Maintain the payroll of additional staff	HK$**[REDACTED]**

*Note(*): approximately HK$***[REDACTED]** *will be utilised for the year ending 31 March 2019.*

BASES AND ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2018.

(a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places in which any member of the Group carries on or will carry on business and provides or will provide human resources related services;

(b) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of the Group operates or will operate or is incorporated;

(c) the **[REDACTED]** will be completed in accordance with and as described in the section headed "Structure and conditions of the **[REDACTED]**" to this document;

(d) the Group is able to retain its clients and suppliers;

(e) the Group will be able to retain key staff in the management and the main operational departments;

(f) the Group will not be materially affected by any risk factors set out in the section headed "Risk factors" in this document; and

(g) the Group will be able to continue its operations in substantially the same manner as the Group has been operating during the Track Record Period and the Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

USE OF PROCEEDS

The Directors believe that the **[REDACTED]** of the Shares on GEM will enhance its corporate profile and brand image and the net proceeds from the **[REDACTED]** will strengthen its financial position and will enable the Group to implement its business plans set out in the paragraph headed "Implementation plans" in this section. Furthermore, a public listing status on the Stock Exchange will offer the Company access to capital market to assist in future business development, enhance its corporate profile and strengthen its competitiveness.

We estimate the gross proceeds from the **[REDACTED]** based on the **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range, will be HK$**[REDACTED]**. After deducting **[REDACTED]** commission and related expenses of HK**[REDACTED]**, the net proceeds will be approximately HK$**[REDACTED]**. The Directors presently intend to apply such net proceeds as follows:

– approximately **[REDACTED]**% of the net proceeds or approximately HK$**[REDACTED]**, for further developing the Group's contracting business;

– approximately **[REDACTED]**% of the net proceeds or approximately HK$**[REDACTED]**, for acquisition of premises in Hong Kong to serve as our warehouse and showroom;

– approximately **[REDACTED]**% of the net proceeds or approximately HK$**[REDACTED]**, for further expansion of the Hong Kong office;

– approximately **[REDACTED]**% of the net proceeds or approximately HK$**[REDACTED]**, for decoration of the Hong Kong office;

– approximately **[REDACTED]**% of the net proceeds or approximately HK$**[REDACTED]**, for purchase of motor vehicles;

– approximately **[REDACTED]**% of the net proceeds or approximately HK$**[REDACTED]**, for further strengthening the Group's in house team; and

– approximately **[REDACTED]**% of the net proceeds, or approximately HK$**[REDACTED]**, for use as general working capital and other general corporate purposes of the Group.

In summary, the implementation of the Group's business objectives and strategies from the Latest Practicable Date to 31 March 2018 will be funded by the net proceeds from the **[REDACTED]** as follows:

	From the Latest Practicable Date to	**For the six months ending**		
	31 March 2017	**30 September 2017**	**31 March 2018**	**Total**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Further developing the Group's contracting business	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Acquisition of premises in Hong Kong	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Expansion of the Hong Kong office	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Decoration of the Hong Kong office	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Purchase of motor vehicles	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Further strengthening the Group's in-house team	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
General working capital	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Note[*]*:* *approximately HK$***[REDACTED]** *will be utilised for the year ending 31 March 2019.*

If the final **[REDACTED]** is set at: (i) the lowest; or (ii) the highest of the indicative **[REDACTED]** range, the gross proceeds from the **[REDACTED]** are estimated to be (i) approximately HK$**[REDACTED]**; or (ii) approximately HK$**[REDACTED]** respectively. In such event, the estimated gross proceeds will decrease by approximately HK$**[REDACTED]** or increase by approximately HK$**[REDACTED]** respectively. The net proceeds are intended to be used in the same proportions as disclosed above.

The Directors consider that the net proceeds from the **[REDACTED]** and the Group's internal resources will be sufficient to finance the Group's business plans up to the year ending 31 March 2018.

To the extent that the net proceeds from the **[REDACTED]** are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

INDEPENDENCE OF THE SPONSOR

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

THE SPONSOR'S, [REDACTED] AND [REDACTED] INTERESTS IN OUR COMPANY

The Sponsor has been appointed as the compliance adviser of the Company with effect from the **[REDACTED]** until despatch of the audited consolidated financial results for the second full financial year after the **[REDACTED]**, and the Company will pay to the Sponsor an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

Save as disclosed above, none of the Sponsor, the **[REDACTED]** and the **[REDACTED]** is interested beneficially or non-beneficially in any shares in any member of the Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

MINIMUM PUBLIC FLOAT

The Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

Deloitte.
德勤

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35/F, One Pacific Place
88 Queensway
Hong Kong

[Date]

The Directors
Aeso Holding Limited
Anglo Chinese Corporate Finance, Limited

Dear Sirs,

We set out below our report on the financial information relating to Aeso Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 31 March 2015 and 31 March 2016 (the "Track Record Period") (the "Financial Information") for inclusion in the document of the Company (the "Document") in connection with the proposed **[REDACTED]** of the Company's shares (the "**[REDACTED]**") on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 December 2015. Pursuant to a group reorganisation as more fully explained in the section headed "History, Development and Reorganisation" in this document (the "Group Reorganisation"), the Company became the holding company of the companies now comprising the Group on 29 February 2016. Other than the transactions relating to the Group Reorganisation, the Company has not carried on any business since the date of its incorporation.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable by the Company At 31 March 2015	At 31 March 2016	At date of this report	Principal activities
Aeschylus Limited ("Aeschylus")	British Virgin Islands ("BVI") 16 December 2015	Ordinary share US$1	N/A	100%	100%	Investment holding
Aeso Limited ("Aeso")	Hong Kong 17 January 2008	Ordinary shares HK$1,000,000	100%	100%	100%	Provision of fitting-out works and renovation works and alteration and addition works

Aeschylus is wholly-owned and held directly by the Company and Aeso is indirectly held by the Company.

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

No audited financial statements have been prepared for the Company and Aeschylus since their respective dates of incorporation as they have not carried out any business or there are no statutory audit requirements.

For the purpose of this report, we have, however, reviewed the relevant transactions of the Company and Aeschylus since their date of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Group in this report.

The statutory financial statements of Aeso for the year ended 31 March 2015 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Ho Shun Wai, Certified Public Accountant.

The statutory financial statements of Aeso for the year ended 31 March 2016 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and were audited by Deloitte Touche Tohmatsu.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Track Record Period, in accordance with accounting policies that conform with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section E below. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing the Financial Information for inclusion in this document.

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

In our opinion, on the basis of presentation set out in note 2 of Section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 March 2016 and of the Group as at 31 March 2015 and 31 March 2016 and of the financial performance and cash flows of the Group for the Track Record Period.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2015	**2016**
	Notes	*HK$'000*	*HK$'000*
Revenue	*8*	81,661	180,391
Cost of services		(66,936)	(148,757)
Gross profit		14,725	31,634
Other income	*9*	15	13
Other gains and losses	*10*	–	764
[REDACTED] expenses		[REDACTED]	[REDACTED]
Administrative expenses		(8,844)	(12,290)
Finance costs	*11*	(234)	(705)
Profit before tax	*12*	5,662	17,003
Income tax expense	*15*	(914)	(3,281)
Profit and total comprehensive income for the year		4,748	13,722
Earnings per share, basic (HK cents)	*16*	6.21	17.94

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group		The Company
		As at 31 March		As at 31 March
	Notes	2015 HK$'000	2016 HK$'000	2016 HK$'000
Non-current assets				
Investment in a subsidiary	35(a)	–	–	–*
Property, plant and equipment	17	2,027	361	–
Rental deposits	19	300	265	–
		2,327	626	–
Current assets				
Amounts due from customers for contract works	18	23,682	19,187	–
Account and other receivables	19	28,443	22,233	824
Amounts due from related companies	21	230	–	–
Amount due from a subsidiary	35(b)	–	–	16
Pledged bank deposits	22	2,009	2,021	–
Bank balances and cash	22	472	9,626	817
		54,836	53,067	1,657
Current liabilities				
Amounts due to customers for contract works	18	980	921	–
Account and other payables	24	19,151	20,218	4,334
Advances drawn on account receivables factored with recourse	20	1,632	1,678	–
Amount due to ultimate holding company	23(a)	–	173	173
Amount due to a director	23(b)	356	1	1
Amount due to a subsidiary	35(b)	–	–	9
Dividend payable		–	1,924	–
Bank borrowings	25	971	2,335	–
Bank overdrafts	25	15,850	–	–
Obligations under finance leases	26	434	–	–
Tax payable		259	2,980	–
		39,633	30,230	4,517
Net current assets (liabilities)		15,203	22,837	(2,860)
Total assets less current liabilities		17,530	23,463	(2,860)
Non-current liabilities				
Obligations under finance leases	26	915	–	–
Deferred tax liabilities	28	169	44	–
		1,084	44	–
Net assets (liabilities)		16,446	23,419	(2,860)
Capital and reserves				
Share capital	27	1,000	40	40
Reserves		15,446	23,379	(2,900)
Total equity		16,446	23,419	(2,860)

* *Less than HK$1,000*

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Other reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2014	1,000	–	15,698	16,698
Profit and total comprehensive income recognised for the year	–	–	4,748	4,748
Dividend recognised as distribution (note 14 of Section E)	–	–	(5,000)	(5,000)
At 31 March 2015	1,000	–	15,446	16,446
Profit and total comprehensive income recognised for the year	–	–	13,722	13,722
Dividend recognised as distribution (note 14 of Section E)	–	–	(6,789)	(6,789)
Effect of Group Reorganisation (Note)	(1,000)	1,000	–	–
Issue of shares	40	–	–	40
At 31 March 2016	40	1,000	22,379	23,419

Note: As part of the Group Reorganisation, there are series of restructuring within the Group mainly involved interspersing investment holding entities between Aeso and the Controlling Shareholder (as defined in note 2 of Section E). The other reserve represents the nominal value of the share capital of Aeso at the date on which it was acquired by Aeschylus and was settled by cash consideration of HK$1.00 by Aeschylus to the Controlling Shareholder pursuant to the Group Reorganisation.

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before tax	5,662	17,003
Adjustments for:		
Depreciation of property, plant and equipment	785	706
Finance costs	234	705
Interest income	(9)	(13)
Fair value change on property, plant and equipment upon distribution	–	(825)
Loss on written off of property, plant and equipment	–	61
Operating cash flows before movements in working capital	6,672	17,637
(Increase) decrease in amounts due from customers for contract works	(16,306)	4,495
(Increase) decrease in account and other receivables	(18,243)	6,245
Decrease in amounts due to customers for contract works	(939)	(59)
Increase in account and other payables	7,720	3,393
Increase (decrease) in advances from customers	3,009	(2,326)
Cash (used in) generated from operations	(18,087)	29,385
Income tax paid	(1,157)	(685)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(19,244)	28,700
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(6,014)	(2,021)
Purchase of property, plant and equipment	(152)	(65)
Advance to related companies	(84)	–
Withdrawal of pledged bank deposits	4,005	2,009
Repayment from related companies	240	230
Interest income	9	13
Advances to a director	–	(3,076)
NET CASH USED IN INVESTING ACTIVITIES	(1,996)	(2,910)

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Dividend paid	(5,000)	–
Repayment of factoring account receivables	(4,772)	(37,905)
Repayment of bank borrowings	(2,990)	(28,232)
Repayment of obligations under finance leases	(600)	(1,349)
Interest paid	(234)	(705)
Advances drawn on factoring account receivables	6,404	37,951
Bank borrowings raised	3,969	29,596
Advances from (repayment to) a director	1,596	(355)
Advances from ultimate holding company	–	173
Proceeds from issue of shares	[REDACTED]	[REDACTED]
NET CASH USED IN FINANCING ACTIVITIES	(1,627)	(786)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(22,867)	25,004
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	7,489	(15,378)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(15,378)	9,626
Represented by		
Bank balances and cash	472	9,626
Bank overdrafts	(15,850)	–
	(15,378)	9,626

(E) NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 December 2015. The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to this document.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the premise enhancement solution service in Hong Kong by providing contracting service for (i) the internal fitting-out of newly built commercial premises and residential developments, and (ii) the renovation work as well as alteration and addition work for existing commercial premises.

The Financial Information is presented in Hong Kong Dollar ("HK$"), which is the same as the functional currency of the Company and its subsidiaries.

2. REORGANISATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

Prior to the Group Reorganisation, the provision of fitting-out works, renovation works and alteration and addition works were carried out by Aeso.

To rationalise the corporate structure in preparation for the **[REDACTED]** on the GEM of the Stock Exchange, the entities comprising the Group underwent the Group Reorganisation which mainly involved (i) incorporation of the Company as an exempted company with limited liability in the Cayman Islands on 10 December 2015 and (ii) interspersing investment holding entities, including the Company and Aeschylus, between Aeso and the ultimate equity shareholder and the controlling shareholder (the "Controlling Shareholder"), Mr. Chan Siu Chung ("Mr. Chan").

Major steps of the Group Reorganisation are as follows:

i. On 10 December 2015, the Company was incorporated with an authorised share capital of United States Dollar ("US$") $50,000 divided into 50,000 shares of US$1.00 each, with one fully paid share issued to the initial subscriber. On 14 December 2015, the one share was transferred to Mr. Chan and later transferred to Acropolis Limited ("Acropolis"), a company incorporated in the BVI and wholly-owned by Mr. Chan, at par on 5 February 2016. After the aforesaid allotment and issue of share, the then issued share capital of the Company was wholly-owned by Acropolis.

ii. On 16 December 2015, Aeschylus was incorporated with one ordinary share with no par value allotted and issued to Mr. Chan. On 5 February 2016, the Company acquired the entire issued share capital of Aeschylus from Mr. Chan at a consideration of US$1.00 as fully paid. As a result, Aeschylus has become a wholly-owned subsidiary of the Company.

iii. On 29 February 2016, Mr. Chan transferred the entire issued share capital in Aeso to Aeschylus for a consideration of HK$1.00. As a result, the Company became the holding company of the Group and Aeschylus became the intermediate holding company of Aeso.

iv. On 21 March 2016, the Company allotted and issued a total of 5,099 shares of the Company to Acropolis, at par and on the same date, the Company entered into a share subscription and shareholders agreement with W & Q Investment Limited ("W & Q"), a company incorporated in the BVI and ultimately controlled by Mr. Liu Chang Kien, an independent third party with Mr. Chan, pursuant to which W & Q agreed to subscribe and the Company agreed to allot and issue a total of 4,900 shares of the

Company, being 49% of its then issued share capital, for a consideration of HK$19,913,600. Following the completion of the share subscription by W & Q on 8 April 2016, the Company is held as to 51% by Acropolis and 49% by W & Q.

Pursuant to the Group Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and Aeschylus between Mr. Chan and Aeso. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity, and accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group. The financial information relating to the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period includes the results of operation and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2015 has 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 as at that date, taking into account the respective dates of incorporation.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2015 throughout the Track Record Period.

The Group has not early applied the following new standards and amendments that have been issued at the date of this report but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 revenue from Contracts with Customers[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

HKFRS 15 "Revenue from Contracts with Customers"

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

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

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 29, total operating lease commitments of the Group in respect of rental premises at 31 March 2015 and 31 March 2016 amounted to HK$2,009,000 and HK$957,000 respectively. The Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's result 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with accounting policies conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

The principal accounting policies are set out below.

Basis of consolidations

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

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

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

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

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

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

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

Revenue recognition

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

The Group's policy for recognition of revenue from construction contracts is described in the accounting policy for contracts below.

Management fee income are recognised when the relevant services are rendered.

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by the proportion that the value of work carried out during the year. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probably will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under account and other receivables.

Leasing

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

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Borrowing costs

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

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

Retirement benefits costs

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income as directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

Financial instruments

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

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.

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.

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.

Interest income is recognised on an effective interest basis for debt instruments.

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 account and other receivables, amounts due from related companies, amount due from a subsidiary, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where 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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

The amount of 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 account receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses 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.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group 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.

Financial liabilities

Financial liabilities, including account and other payables, advances drawn on account receivables factored with recourse, amount due to ultimate holding company, amount due to a director, amount due to a subsidiary, dividend payable, bank borrowings and bank overdrafts, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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 and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Impairment on tangible assets

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

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Revenue recognition of construction works

The Group recognises contract revenue and profit of a construction contract according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts. Estimated contract costs, which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Estimated impairment of account and retention receivables

Management estimates the recoverability of account and retention receivables based on objective evidence. 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 at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2015 and 31 March 2016, the carrying amounts of account and retention receivables of the Group were approximately HK$25,528,000 and HK$19,738,000 respectively (note 19).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which include bank borrowings (note 25), bank overdrafts (note 25) and advances drawn on account receivables factored with recourse (note 20), net of cash and cash equivalents and equity, comprising paid in capital and reserves.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	The Group		The Company
	As at 31 March		As at 31 March
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including bank balances and cash)	28,331	31,499	833
Financial liabilities			
Amortised cost	35,706	22,873	3,183

7b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include account and other receivables, amounts due from related parties, amount due from a subsidiary, pledged bank deposits, bank balances and cash, account and other payables, advances drawn on account receivables factored with recourse, amount due to ultimate holding company, amount due to a director, amount due to a subsidiary, dividend payable, bank overdrafts and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk in relation to bank balances, bank overdrafts and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Hong Kong Interbank Offered Rate arising from bank overdrafts and bank borrowings.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

No sensitivity analysis on interest rate risk on bank deposits is presented as the Directors consider the sensitivity on interest rate risk on bank deposits is insignificant.

For sensitivity analysis on interest rates for variable-rate, advances drawn on account receivables factored with recourse, bank overdrafts and bank borrowings, the analysis is prepared assuming that the amount of liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease represent the management's assessment of the reasonable possible change in interest rates of bank borrowings. If interest rates on bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2015 and 31 March 2016 would decrease/increase by approximately HK$73,000 and approximately HK$7,000 respectively.

Credit risk

At the end of respective reporting periods, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Directors have reviewed the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 March 2015 and 31 March 2016 on account and retention receivables from the Group's five major customers amounting to approximately HK$23,208,000 and approximately HK$18,398,000 respectively and accounted for 91% and 93% of the Group's total account and retention receivables. The major customers of the Group are reputable organisations. The Directors closely monitor the subsequent settlement of the customers. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

The Group

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2015							
Account and other payables	–	15,548	–	–	–	15,548	15,548
Advances drawn on account receivables factored with recourse	3.31	1,632	–	–	–	1,632	1,632
Amount due to a director	–	356	–	–	–	356	356
Bank borrowings	3.68	971	–	–	–	971	971
Bank overdrafts	3.70	15,850	–	–	–	15,850	15,850
Obligations under finance leases	1.38	117	350	467	479	1,413	1,349
		34,474	350	467	479	35,770	35,706

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2016							
Account and other payables	–	16,762	–	–	–	16,762	16,762
Advances drawn on account receivables factored with recourse	3.01	1,678	–	–	–	1,678	1,678
Amount due to ultimate holding company	–	173	–	–	–	173	173
Amount due to a director	–	1	–	–	–	1	1
Dividend payable	–	1,924	–	–	–	1,924	1,924
Bank borrowings	3.12	2,335	–	–	–	2,335	2,335
		22,873	–	–	–	22,873	22,873

The Company

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2016							
Account and other payables	–	3,000	–	–	–	3,000	3,000
Amount due to ultimate holding company	–	173	–	–	–	173	173
Amount due to a director	–	1	–	–	–	1	1
Amount due to a subsidiary	–	9	–	–	–	9	9
		3,183	–	–	–	3,183	3,183

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Advances drawn on account receivables factored with recourse, bank borrowings and bank overdrafts with a repayment on demand clause are included in the "Repayable on demand or less than 3 months" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these balances as at 31 March 2015 and 31 March 2016 are set out in the tables below. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

The Directors believe that the principal and interest will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Weighted average effective interest rate	Repayable on demand or less than 3 months	Total undiscounted cash flows	Total
	%	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2015				
Advances drawn on account receivables factored with recourses	3.31	1,645	1,645	1,632
Bank borrowings	3.68	980	980	971
Bank overdrafts	3.70	15,994	15,994	15,850
At 31 March 2016				
Advances drawn on account receivables factored with recourses	3.01	1,690	1,690	1,678
Bank borrowings	3.12	2,353	2,353	2,335

7c. Fair value measurements of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost and recorded in the Financial Information approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION

Information are reported to the executive director of the Company, who is also the chief operating decision maker (the "CODM"), for the purposes of resource allocation and performance assessment.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

(i) Fitting-out work for new projects ("Fitting-out Projects")

Provision of fitting-out work for construction of newly built commercial premises and residential developments either as a main contractor or subcontractor

(ii) Renovation work and alteration and addition work for old projects ("Renovation Projects")

Provision of renovation work and alteration and addition work for existing commercial premises as a main contractor

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 March 2015

	Fitting-out Projects	Renovation Projects	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Segment revenue	19,300	62,361	81,661
Segment profit	3,127	11,598	14,725
Unallocated income			15
Unallocated expenses			(9,078)
Profit before tax			5,662

For the year ended 31 March 2016

	Fitting-out Projects	Renovation Projects	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Segment revenue	63,879	116,512	180,391
Segment profit	10,822	20,812	31,634
Unallocated income			838
Unallocated expenses			(15,469)
Profit before tax			17,003

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit from each segment before tax without allocation of other income, other gains and losses, **[REDACTED]** expenses, administration expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

Geographical information

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets are all located in Hong Kong.

Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the Group's revenue are as follows:

	Operating segment	Year ended 31 March 2015	Year ended 31 March 2016
		HK$'000	*HK$'000*
Customer 1	Renovation Projects	43,485	23,739
	Fitting-out Projects	8,058	21,979
		51,543	45,718
Customer 2	Renovation Projects	14,530	37,836
Customer 3	Fitting-out Projects	Nil[1]	33,107
Customer 4	Renovation Projects	Nil[1]	31,409

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Bank interest income	9	13
Management fee income from a related company	6	–
	15	13

10. OTHER GAINS AND LOSSES

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Fair value change on property, plant and equipment upon distribution	–	825
Loss on written off of property, plant and equipment	–	(61)
	–	764

11. FINANCE COSTS

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	21	213
Bank overdrafts	156	341
Finance leases	49	32
Advances drawn on account receivables factored with recourse	8	119
	234	705

12. PROFIT BEFORE TAX

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Directors' emolument *(note 13)*	2,371	3,123
Other staff costs:		
Salaries and other allowances	6,534	11,145
Retirement benefit scheme contributions	247	369
Total staff costs	9,152	14,637
Less: amounts included in cost of services	(4,424)	(7,468)
	4,728	7,169
Auditors' remuneration	96	1,000
Depreciation of property, plant and equipment	785	706
Operating lease rentals in respect of rental premises	1,114	1,066

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable (including emoluments for the services as employees of the group entities prior to becoming directors of the Company) to the individuals during the Track Record Period for their services rendered to the entities comprising the Group are as follows:

(a) Executive directors

	Fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000* *(note iii)*	*HK$'000*	*HK$'000*
Year ended 31 March 2015					
Executive directors					
Mr. Chan *(note i)*	–	1,815	–	18	1,833
Mr. Cheung Hiu Tung ("Mr. Cheung") *(note ii)*	–	340	181	17	538
Total	–	2,155	181	35	2,371

	Fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000* *(note iii)*	*HK$'000*	*HK$'000*
Year ended 31 March 2016					
Executive directors					
Mr. Chan *(note i)*	–	1,907	499	18	2,424
Mr. Cheung *(note ii)*	–	416	265	18	699
Total	–	2,323	764	36	3,123

Notes:

(i) Mr. Chan was appointed as an executive Director, the Chairman of the Board and chief executive officer of the Company on 14 December 2015, 6 May 2016 and 23 June 2016 respectively.

(ii) Mr. Cheung was appointed as an executive director of the Company on 29 April 2016.

(iii) Discretionary bonus was determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

(iv) None of the directors waived any emolument during the Track Record Period.

(v) During the Track Record Period, no emoluments were paid by the Group to any of the directors or the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(vi) The balances shown above were mainly for their services in connection with the management of the affairs of the Group.

(b) Non-executive directors

No non-executive directors were appointed by the Company during the Track Record Period. Ms. Zhan Qi and Mr. Law Wing Kit were appointed as non-executive directors of the Company on 8 April 2016 and 29 April 2016 respectively.

(c) Independent non-executive directors

No independent non-executive directors were appointed by the Company during the Track Record Period. Mr. Lee Chi Chung, Mr. Or Chun Man and Mr. Leung Ka Kui, Johnny are to be appointed as independent non-executive directors of the Company.

(d) Employees' emoluments

The five highest paid individuals of the Group for the Track Record Period include one director and two directors of the Company for the years ended 31 March 2015 and 31 March 2016 respectively. The emoluments of the remaining individuals for the Track Record Period are as follows:

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Salaries and other allowances	1,577	1,479
Discretionary bonus	700	826
Retirement benefit scheme contributions	69	54
	2,346	2,359

The emoluments of the employees were within the following band:

	Year ended 31 March	
	2015	**2016**
HK$Nil – HK$1,000,000	4	3

During the Track Record Period, no emoluments were paid by the Group to the Directors or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. The Directors or the chief executive of the Group did not waive or agree to waive any emoluments during the Track Record Period.

14. DIVIDENDS

Aeso distributed interim dividends of HK$5,000,000 and HK$6,789,000 for each of the years ended 31 March 2015 and 31 March 2016 respectively, to the Controlling Shareholder, its then shareholder prior to the Group Reorganisation of which HK$1,789,000 and HK$3,076,000 for the year ended 31 March 2016 was settled through distribution of motor vehicles and offset with an amount due to director respectively. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or by the Company since its incorporation.

The rates of dividend declared and the number of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of this report.

15. INCOME TAX EXPENSE

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Hong Kong Profits Tax	898	3,406
Deferred tax *(note 28)*	16	(125)
Income tax expense	914	3,281

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for the Track Record Period.

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

	Year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Profit before tax	5,662	17,003
Tax charge at Hong Kong Profits Tax Rate of 16.5%	934	2,805
Tax effect of expenses not deductible for tax purpose	–	512
Tax effect of income not taxable for tax purpose	–	(16)
Tax concession	(20)	(20)
Income tax expense for the year	914	3,281

Details of deferred tax are set out in note 28.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the two years ended 31 March 2015 and 31 March 2016 is based on the profit for the year attributable to the owners of the Company of HK$4,748,000 and HK$13,722,000 respectively and on the basis of **[REDACTED]** ordinary shares issued pursuant to the Group Reorganisation and capitalisation issue arising from the **[REDACTED]** of shares of the Company that are deemed to have become effective on 1 April 2014.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Computer equipment	Other office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
As at 1 April 2014	68	56	2,819	429	204	3,576
Additions	–	–	1,015	72	80	1,167
As at 31 March 2015	68	56	3,834	501	284	4,743
Additions	–	6	–	59	–	65
Written off	–	(1)	–	(173)	(168)	(342)
Distributions	–	–	(2,761)	–	–	(2,761)
As at 31 March 2016	68	61	1,073	387	116	1,705
DEPRECIATION						
As at 1 April 2014	68	35	1,493	216	119	1,931
Provided for the year	–	11	658	73	43	785
As at 31 March 2015	68	46	2,151	289	162	2,716
Provided for the year	–	12	578	76	40	706
Eliminated on written off	–	(1)	–	(162)	(118)	(281)
Eliminated on distributions	–	–	(1,797)	–	–	(1,797)
As at 31 March 2016	68	57	932	203	84	1,344
CARRYING VALUE						
As at 31 March 2015	–	10	1,683	212	122	2,027
As at 31 March 2016	–	4	141	184	32	361

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold improvements	20% or over the lease term, whichever is shorter
Furniture and fixtures	$33^1/_3$%
Motor vehicles	20%
Computer equipment	20%
Other office equipment	20%

Motor vehicles with net book value of HK$964,000 were distributed by Aeso as interim dividend to its then shareholder prior to the Group Reorganisation during the year ended 31 March 2016 as disclosed in note 14.

18. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Contracts in progress at the end of the reporting periods:		
Contract costs incurred plus recognised profits less recognised losses	206,999	377,072
Less: progress billings	(184,297)	(358,806)
	22,702	18,266
Analysed for reporting purposes as:		
Amounts due from customers for contract works	23,682	19,187
Amounts due to customers for contract works	(980)	(921)
	22,702	18,266

19. ACCOUNT AND OTHER RECEIVABLES

	The Group		The Company
			As at
	As at 31 March		31 March
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Account receivables *(note a)*	17,685	8,837	–
Retention receivables *(note b)*	7,843	10,901	–
	25,528	19,738	–
Other receivables, deposits and prepayments			
– Project deposits paid to sub-contractors	1,550	331	–
– Deposit placed for surety bond *(note 33)*	1,100	1,100	–
– Rental and utility deposits	352	351	–
– Prepayment	121	267	227
– Deferred expenses	–	597	597
– Other receivables	92	114	–
	3,215	2,760	824
Total accounts and other receivables	28,743	22,498	824
Less: Receivables within twelve months shown under current assets	(28,443)	(22,233)	(824)
Rental deposits shown under non-current assets	300	265	–

Notes

(a) During the Track Record Period, the Group factored certain account receivables to a bank for cash proceeds. If the account receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these account receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as advances drawn on account receivables factored with recourse (note 20). The carrying amount of the account receivables at 31 March 2015 and 31 March 2016 that have been transferred but have not been derecognised amounted to HK$1,632,000 and HK$1,678,000 respectively and the carrying amount of the associated liability is HK$1,632,000 and HK$1,678,000 respectively.

(b) Retention receivables are released by customers in accordance with the respective agreements with customers, which is released as to 50% upon the issue of practical completion certificate and as to the remaining 50% upon issuance of certificate of making good defects at the end of the defect liability period, which is generally twelve-month period from the date of the certificate of practical completion.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of each reporting period:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
On demand or within one year	7,710	10,842
After one year	133	59
	7,843	10,901

The Group allows an average credit period of 30 days to its customers. The aged analysis of the Group's account receivables based on invoice dates at the end of each reporting period:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Account receivables:		
Within 30 days	17,685	8,837

None of the Group's account receivables are past due but not impaired as at the end of both reporting periods.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The Group's account receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

In determining the recoverability of account and retention receivables, the Group considers any change in the credit quality of the account receivables from the date credit was initially granted up to the end of the reporting period.

20. ADVANCES DRAWN ON ACCOUNT RECEIVABLES FACTORED WITH RECOURSE

The variable-rate advances drawn on account receivables factored with recourse carry interest at certain basis points over Hong Kong Interbank Offered Rate ("HIBOR") quoted by a bank in Hong Kong, which are repayable within one year from the end of both reporting periods and contain a repayment on demand clause.

As at 31 March 2015, the Group's account receivables factored with recourse are personally guaranteed by Mr. Chan (note 32 (c)) and secured by the pledged bank deposits held by the Group (note 22).

As at 31 March 2016, the Group's account receivables factored with recourse are personally guaranteed and secured by an asset held by Mr. Chan and a close family member of Mr. Chan (note 32 (c)) and the pledged bank deposits held by the Group (note 22).

The range of effective interest rates (which are also equal to contracted interest rates) of the Group's account receivables factored with recourse are as follows:

	As at 31 March	
	2015	**2016**
Effective interest rate	3.31% to 3.32%	2.73% to 3.50%

21. AMOUNTS DUE FROM RELATED COMPANIES

	As at 31 March		Maximum amount outstanding during 31 March	
	2015	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
深圳艾碩裝飾設計有限公司 *(note b)*	178	–	178	209
Hue166 Company (formerly known as Aeso Builder Company) *(note b)*	52	–	52	52
	230	–		

Notes:

(a) All of the amounts above are non-trade in nature, unsecured, interest-free and repayment on demand.

(b) Mr. Chan is the beneficial shareholder and a director of the company.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group

Pledged bank deposits included in current assets carried interest at 0.80% and 0.65% per annum at 31 March 2015 and 31 March 2016 respectively. These bank deposits are pledged to secure the factoring facility granted to the Group.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carried interest at prevailing market rates based on daily bank deposit rate for the Track Record Period.

The Company

Bank balances carried interest of prevailing market rates based on daily bank deposit rate for the Track Record Period.

23. AMOUNT DUE TO ULTIMATE HOLDING COMPANY/A DIRECTOR

The Group and the Company

(a) Amount due to ultimate holding company

The amount is non-trade in nature, unsecured, interest-free and repayment on demand. In the opinion of the Directors, such amount is expected to be settled before the **[REDACTED]** of the Company's shares on the Stock Exchange.

(b) Amount due to a director

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Mr. Chan	356	1

The amount is unsecured, interest-free and repayable on demand. In the opinion of the Directors, such amount is expected to be settled before the **[REDACTED]** of the Company's shares on the Stock Exchange.

24. ACCOUNT AND OTHER PAYABLES

	The Group		The Company
			As at 31
	As at 31 March		March
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Account payables	14,360	8,245	–
Retention payables *(note a)*	1,188	5,517	–
Accruals	347	2,526	1,334
Advances from customers *(note b)*	3,256	930	–
Others payables	–	3,000	3,000
	19,151	20,218	4,334

Notes:

(a) All retention payables as at 31 March 2015 and 31 March 2016 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

(b) Advances from customers are unsecured, interest-free and will be utilised to set off progress billings.

The average credit period on account payables is 30 days. The aging analysis of the account payables based on invoice dates at the end of each reporting period is as follows:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
1 – 30 days	11,470	7,987
31 – 60 days	246	–
61 – 90 days	1,265	–
Over 90 days	1,379	258
	14,360	8,245

25. BANK BORROWINGS/BANK OVERDRAFTS

The variable-rate bank borrowings and bank overdrafts are repayable as follows:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	971	2,335
Bank overdrafts	15,850	–
Amounts due within twelve months shown under current liabilities	16,821	2,335

The variable-rate bank borrowings carry interests at certain basis points over HIBOR or HK$ Prime Rate quoted by certain banks in Hong Kong.

The Group's bank borrowings and bank overdrafts are personally guaranteed and/or secured by certain assets held by Mr. Chan, spouse of Mr. Chan or a close family member of Mr. Chan as set out in note 32(c).

The range of effective interest rates (which are also equal to contracted interest rates) of the Group's bank borrowings are as follows:

	As at 31 March	
	2015	**2016**
Effective interest rate:		
Bank borrowings	3.31% to 3.80%	2.92% to 3.39%
Bank overdrafts	3.70%	3.70%

26. OBLIGATIONS UNDER FINANCE LEASES

The Group leased its motor vehicles under finance leases. The average lease term is four years. Interest rates underlying obligations under finance leases are fixed at contract date ranging from 1.35% to 1.98% per annum during the Track Record Period. The Group has options to purchase the motor vehicles for a nominal amount at the end of the lease terms.

	Minimum lease payments		**Present value of minimum lease payments**	
	31 March 2015	**31 March 2016**	**31 March 2015**	**31 March 2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases				
Within one year	467	–	434	–
In more than one year and not more than two years	467	–	448	–
In more than two years but not more than five years	479	–	467	–
	1,413	–	1,349	–
Less: Future finance charge	(64)	–	–	–
Present value of lease obligation	1,349	–	1,349	–
Less: Amount due for settlement within twelve months shown under current liabilities			(434)	–
Amount due for settlement after twelve months shown under non-current liabilities			915	–

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

All finance lease contracts have been early terminated by the Group and all outstanding obligations under finance leases have been fully settled during the year ended 31 March 2016.

27. SHARE CAPITAL

For the purpose of the Financial Information, the share capital shown on the consolidated statements of financial position represented the sum of share capital of the following group entities:

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Aeso	1,000	–
The Company	N/A	40
Shown in the Financial Information as	1,000	40

Note: The Company was incorporated during the year ended 31 March 2016 and hence no share capital was presented as at 31 March 2015.

Details of movements of authorised and issued capital of the Company are as follows:

	Number of shares	**Amount**
		US$
Authorised:		
Ordinary shares at US$1.00 each as at date of incorporation and as at 31 March 2016	50,000	50,000
Issued and fully paid:		
Ordinary shares of US$1.00 each as at the date of incorporation and as at 31 March 2016	5,100	5,100
Shown in the Financial Information as at 31 March 2016 (in HK$'000)		40

Below is a table showing the movements of the share capital and reserves of the Company since its incorporation and up to 31 March 2016:

	Share capital	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At date of incorporation *(note i)*	–*	–	– *
Issue of shares *(note ii)*	40	–	40
Loss for the period	–	(2,900)	(2,900)
At 31 March 2016	40	(2,900)	(2,860)

** Less than HK$1,000*

Notes:

(i) The Company was incorporated in the Cayman Islands on 10 December 2015 with an authorised share capital of US$50,000 divided into 50,000 shares. One share with par value of US$1.00 was allotted and issued to the initial subscriber, being an independent third party which was transferred to Mr. Chan on 14 December 2015 and later transferred to Acropolis on 5 February 2016. After the aforesaid allotment and issue of share, the then issued share capital of the Company was wholly-owned by Acropolis.

Acropolis is a company incorporated in the BVI on 16 December 2015 with limited liability which is a holding vehicle of the Company and wholly-owned by Mr. Chan.

(ii) On 21 March 2016, 5,099 shares with par value of US$1.00 at an aggregate cash consideration of HK$40,000 were allotted and issued to Acropolis.

28. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon for the Track Record Period:

	Accelerated tax depreciation
	HK$'000
At 1 April 2014	153
Charge to profit or loss	16
At 31 March 2015	169
Credit to profit or loss	(125)
At 31 March 2016	44

29. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Minimum lease payments under operating leases		
Within one year	1,161	941
In the second to fifth year inclusive	848	16
	2,009	957

The leases are generally negotiated for lease terms ranging from one year to three years with fixed monthly rentals. None of the leases include any contingent rentals.

30. RETIREMENT BENEFIT PLANS

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total cost of HK$265,000 and HK$387,000 charged to profit or loss represents contribution paid or payable to the above scheme by the Group for each of the year ended 31 March 2015 and 31 March 2016 respectively.

31. PLEDGE OF ASSETS

At the end of each reporting period, the carrying amount of the asset pledged by the Group to a bank in order to secure a factoring facility granted by a bank to the Group is as follows:

	2015	**2016**
	HK'000	*HK'000*
Fixed charge over the Group's bank deposits	2,009	2,021

The Group's obligations under finance leases (note 26) were secured by the lessor's title to the leased assets, which had a carrying amount of HK$1,362,000 at 31 March 2015. Such pledge was released upon the early termination of the leases.

As at 31 March 2015 and 31 March 2016, account receivables factored with recourse (note 19) amounted to HK$1,632,000 and HK$1,678,000 respectively.

32. RELATED PARTY DISCLOSURES

(a) In addition to the transactions, balances and commitments disclosed elsewhere in the Financial Information, the Group had entered into the following related party transactions:

Name of related company	**Relationship**	**Nature of transaction**	**2015**	**2016**
			HK$'000	*HK$'000*
Hue166 Company	Related company	Management fee income	6	–
		Sub-contracting service income	46	–

(b) Compensation of key management personnel

The Directors are identified as the key management personnel of the Company, and their compensations during the Track Record Period is set out in note 13.

(c) During the Track Record Period, the bank borrowings (note 25), bank overdrafts (note 25) and advances drawn on account receivables factored with recourse (note 20) are personally guaranteed and/or secured by certain assets held by Mr. Chan, spouse of Mr. Chan and/or a close family member of Mr. Chan as at 31 March 2015 and 31 March 2016.

33. SURETY BOND AND CONTINGENT LIABILITY

A customer of construction contract undertaken by the Group requires a group entity to issue guarantee for performance of contract works in the form of surety bond. The Group provided a counter-indemnity to an insurance company that issued such surety bond. For the year ended 31 March 2015, the Group paid a cash collateral of HK$1,100,000 to an insurance company to issue the surety bond. As at 31 March 2015 and 31 March 2016, the deposit placed for surety bond amounts to HK$1,100,000 (note 19).

As at 31 March 2015 and 31 March 2016, the amount of surety bond provided by the Group was HK$3,600,000.

34. MAJOR NON-CASH TRANSACTION

For the year ended 31 March 2015, the Group acquired a motor vehicle of HK$1,015,000 under a finance lease.

During the year ended 31 March 2016, dividends amounting to HK$1,789,000 and HK$3,076,000 were settled through distribution of motor vehicles and an amount with a director respectively.

35. FINANCIAL INFORMATION OF THE COMPANY

(a) Investment in a subsidiary of the Company

	As at 31 March 2016
	HK$
Unlisted equity investment, at the cost of US$1	8
	HK$'000
Shown on the statement of financial position	–

(b) Amount due from (to) a subsidiary is unsecured, interest-free and repayment on demand.

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following events took place subsequent to 31 March 2016:

(a) On 8 April 2016, an additional 4,900 shares, representing 49% of the then issued capital of the Company, were subscribed by W & Q, as set out in note 2.

(b) Pursuant to the written resolution of the Company's shareholders dated 23 June 2016, the Company underwent a subdivision of shares whereby the ordinary shares of US$1 each was subdivided into 100 ordinary shares of US$0.01 each, and such subdivided shares shall rank pari passu in all respects with each other, such that after the subdivision, the authorised share capital of the Company became US$50,000 divided into 5,000,000 Shares of US$0.01 each, and the issued share capital of the Company became US$10,000 divided into 1,000,000 Shares of US$0.01.

F. HOLDING COMPANY

In the opinion of the Directors, the Company's ultimate holding company is Acropolis which is a private limited company incorporated in the British Virgin Islands.

G. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 March 2016.

Yours faithfully,

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the accountants' report on the financial information for each of the two years ended 31 March 2016 of the Group (the ''Accountants' Report'') from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed ''Financial Information'' and the Accountants' Report set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with Rules 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the **[REDACTED]** on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the **[REDACTED]** had taken place on 31 March 2016.

The unaudited pro forma statement of adjusted consolidated 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 consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 or at any future dates following the **[REDACTED]**.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2016 as shown in the Accountants' Report as set out in Appendix I to this document and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016	**Estimated net proceeds from the [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	23,419	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	23,419	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 is based on the consolidated net assets of the Group attributable to owners of the Company amounted to HK$23,419,000, extracted from the Accountants' Report set out in Appendix I to this document.

2. The estimated net proceeds from the **[REDACTED]** are based on **[REDACTED]** **[REDACTED]** to be issued at **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]**, being the lower and higher end of the indicated **[REDACTED]** range, after deduction of the estimated **[REDACTED]** fees and other related expense (excluding approximately HK$**[REDACTED]** of **[REDACTED]** expenses accounted for prior to 31 March 2016).

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share has been arrived at after making the adjustments referred to in this section and on the basis of **[REDACTED]** Shares are in issue assuming that the **[REDACTED]** and the Capitalisation Issue have been completed on 31 March 2016.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of 31 March 2016 to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2016.

5. The unaudited pro forma adjusted consolidated net tangible assets of the Group and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share do not take into account of the allotment and issuance of 4,900 shares (before the Capitalisation Issue) of the Company subscribed by W & Q Investment Limited ("W & Q") on 8 April 2016 at approximately HK$19,914,000. Assuming that the allotment and issuance of 4,900 shares of the Company subscribed by W & Q on 8 April 2016 had been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would have been HK$**[REDACTED]** and HK$**[REDACTED]**, and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per **[REDACTED]** would have been HK$**[REDACTED]** and HK$**[REDACTED]** at the lower end **[REDACTED]** of HK$**[REDACTED]** and higher end **[REDACTED]** of HK$**[REDACTED]** respectively, which is calculated based on **[REDACTED]** shares in issue immediately following the completion of **[REDACTED]** and Capitalisation Issue.

[REDACTED]

[REDACTED]

[REDACTED]

REGULATORY REQUIREMENTS IN HONG KONG

The Group is principally engaged in the provision of fitting-out and renovation (including alteration and addition) contracting services of Hong Kong premises. As at the Latest Practicable Date, there was no statutory or mandatory licensing and qualification system governing the provision of premises enhancement solutions.

Below sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to the Group's operations and business.

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

The mandatory provident fund scheme (the **"MPF Scheme"**) is defined contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance provides that an employer shall participate in an MPF Scheme and make contributions for its employees aged between 18 and 65. Under the MPF Scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK$30,000 per month or HK$360,000 per year.

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

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

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date.

A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at currently at up to HK$50,000.

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

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

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

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

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

According to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of up to HK$100,000 and imprisonment for two years.

According to Section 48 of the Employees' Compensation Ordinance, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the Employees' Compensation Ordinance) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK$100,000.

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

With effect from 1 May 2015, the Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate at HK$32.5 per hour for every employee employed under the Employment Ordinance (Chapter 57 of the laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

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

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premise to take reasonable care of the premise in all circumstances so as to ensure that his 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.

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)

The Trade Descriptions Ordinance aims to protect customers against unfair trade practices by regulating businesses to sell products and services in a truthful manner. It prohibits false trade descriptions in respect of services supplied in the course of trade.

Section 2 of the Trade Descriptions Ordinance provides, *inter alia,* that "trade description" in relation to services means an indication, direct or indirect, and by whatever means given, with respect to the service or any part of the service including an indication of any of the matters - nature, scope, quantity (including the number of occasions on which, and the length of time for which, the service is supplied or to be supplied), standard, quality, value or grade; fitness for purpose, strength, performance, effectiveness, benefits or risks; method and procedure by which, manner in which, and location at which, the service is supplied or to be supplied; availability; testing by any person and the results of the testing; approval by any person or conformity with a type approved by any person; a person by whom it has been acquired, or who has agreed to acquire it; the person by whom the service is supplied or to be supplied; after-sale service assistance concerning the service; price, how price is calculated or the existence of any price advantage or discount.

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or supply or offer to supply any goods with false trade descriptions applied thereto.

Section 7A of the Trade Descriptions Ordinance provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

Sections 13E, 13F, 13G, l3H and 13I of the Trade Descriptions Ordinance provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

A person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine of up to HK$100,000 and to imprisonment for two years.

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

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

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

(a) providing and maintaining plant and work systems that are safe and without risks to health;

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

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

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

(e) providing and maintaining a working environment that is safe and without risks to health.

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

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

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance is an ordinance enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong.

The Inland Revenue Ordinance provides, among other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong at the standard rate, which stood as at the Latest Practicable Date at 16.5% for corporate taxpayers. The Inland Revenue Ordinance also contains detailed provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciations of capital assets.

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

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

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

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. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

– providing and maintaining plant and work systems that do not endanger safety or health;

– making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;

– providing all necessary information, instruction, training, and supervision for ensuring safety and health;

– as regards any workplace under the employer's control;

– maintaining the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health;

– providing and maintaining safe access to and egress from the workplaces that are, so far as reasonably practicable, safe and without any such risks; and

– providing and maintaining a safe and healthy work environment.

A proprietor who contravenes these duties commits an offence and is liable to a fine of HK$500,000. A proprietor who contravenes these duties wilfully and without reasonable excuse commits an offence and is liable to a fine of HK$500,000 and to imprisonment for six months. Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), including (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) the duty to comply with miscellaneous safety requirements; and (vi) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels 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.

Electricity Ordinance (Chapter 406 of the Laws of Hong Kong)

Under the Electricity Ordinance, all electrical contractors carrying out electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department. The Electricity Ordinance provides for the registration and regulation of the electrical contractor in order to protect the general public in the use of electricity. Any person, not being a registered electrical contractor, who does business as an electrical contractor or contract to carry out electrical work within Hong Kong commits an offence and is liable on to a fine and imprisonment.

A person who wishes to register as an electrical contractor must satisfy the requirements set out in the Electricity (Registration) Regulations. To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or (a) if the applicant is an individual, he/she must be a registered electrical worker; or (b) if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

Failure to comply with the registration requirement constitutes an offence and is liable to conviction to a fine of HK$50,000 on a first conviction and a fine of HK$100,000 on a subsequent conviction for the same offence and in either case is liable to imprisonment for 6 months.

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

The Construction Workers Registration Ordinance provides for the registration of construction worker and related matters. According to section 3 of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. Further, section 5 of the Contraction Workers Registration Ordinance provides that no person shall employ unregistered construction workers to carry out on construction sites construction work.

If (a) there is a contravention of section 3 of the Construction Workers Registration Ordinance and the person who commits the contravention is employed by a principal contractor for the construction site concerned, or a sub-contractor of such a principal contractor; or (b) there is a contravention of section 5, and the person who commits the contravention is a sub-contractor of a principal contractor for the construction site concerned, that principal contractor also commits an offence and is liable on conviction to a fine at level 5 (currently at HK$50,000).

In addition, according to section 58 of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to:

(a) establish and maintain a daily record in the specified form that contains information of registered construction workers employed by him and, in the case of a controller being the principal contractor, by a sub-contractor of the controller; and

(b) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of record (a) for the period of seven days after any construction work begins on the site; and (b) 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 (currently at HK$10,000).

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

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

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

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

Under the Waste Disposal (Chemical Waste) (General) Regulations, anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer. The waste must be packaged, labelled and stored properly before disposal. Only a licensed collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the staff of 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 license 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 six months for the first offence, and to a fine of HK$500,000 and to imprisonment for two years for a second or subsequent offence.

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. A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong).

The contractor responsible for a construction site (which is defined to mean a place where construction work is carried out and area in the immediate vicinity of any such place which is used for the storage of materials or plant used or intended to be used for the purpose of the construction work) shall devise, arrange methods of working and carrying out the works in such a manner so as to 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.

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 general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling between 7 a.m. and 7 p.m. on any day, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in any place are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Noise Control Authority. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of HK$100,000; (b) on second or subsequent conviction, 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.

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

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$10,000 (level 3) upon conviction with a daily fine of HK$200.

Discharge of muddy water etc. from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK$5,000 upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$25,000 (level 4) upon conviction and a daily fine of HK$450.

Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$10,000 (level 3) upon conviction and a daily fine of HK$200.

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$10,000 (level 3) upon conviction and a daily fine of HK$200.

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

In accordance with section 32 of the Construction Industry Council Ordinance, a Construction Industry Levy at the rate of 0.5% is imposed in respect of all construction works/operations carried out in Hong Kong with a total value exceeding HK$1 million. A contractor executing construction operations is responsible for paying the Construction Industry Levy to the Construction Industry Council, Construction operations include, among other things, building works; construction, alteration, repair, maintenance, extension, demolition or dismantling of buildings or structures, power-lines, telecommunications apparatus or pipelines; supply and installation of fittings or equipment in any building or structures; supply and installation of fittings or equipment in any building or structures; external or internal cleaning of any buildings or structures, which is carried out in the course of construction or maintenance of such buildings or structures; painting or decorating any external or internal surfaces or parts of any buildings or structures; and operations which form an integral part of, or are preparatory to any of the above operations.

Buildings Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong)

The Buildings Energy Efficiency Ordinance sets out energy efficiency standard for building services installations such as electrical, lighting and air-conditioning in new buildings and existing buildings undergoing major retrofitting works. Major retrofitting works include, among other things, addition or replacement of a building services installation covering an internal floor area of not less than 500 square metres in a unit or a common area. The responsible person (e.g. owner, tenant or occupier, etc.) of a unit or a common area is required to engage a Registered Energy Assessor to certify that the replaced or additional building services installations of major retrofitting works comply with the latest edition of the Building Energy Code and obtain a Form of Compliance from a Registered Energy Assessor. Pursuant to the Buildings Energy Efficiency Ordinance, all commercial buildings in Hong Kong will be audited by registered energy assessors every 10 years to ensure energy efficiency targets are met.

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

The Competition Ordinance came into force on 14 December 2015 and has impact on all businesses in Hong Kong. Serious anti-competitive conduct such as price fixing, market allocation and bid rigging/collusion will contravene the Competition Ordinance. The following may be unlawful:

- unprofitable pricing to gain market share and put pressure on competitors unable to compete;
- tying (one product can only be bought or used if another product is also bought);
- bundling (two or more products offered together at a discount);

- exclusive dealing arrangements or imposition of tougher pricing and terms for certain customers;

- sharing of pricing, information and agreement of practices/pricing through trade associations; and

- joint ventures/tenders by competitors capable of bidding independently.

The consequences of failing to comply with the Competition Ordinance are serious. Experience in countries which have similar legislation is that the authorities often focus on particular sectors such as construction, and therefore it is anticipated that construction companies are likely to be under scrutiny in this regard. Ensuring anti-competitive conduct does not occur will become a continuous requirement for proper governance of the business, both in terms of tendering for projects and working with subcontractors and suppliers.

The Contract (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong)

The Contract (Rights of Third Parties) Ordinance came into force on 1 January 2016. The Contract (Rights of Third Parties) Ordinance enables a party who is not a party to a contract to enforce provisions of a contract if either the contract expressly provides that it may do so, or if the relevant term purports to confer a benefit on an identifiable third party.

The Contract (Rights of Third Parties) Ordinance applies to construction contracts and its potential effect is that future purchasers, tenants or funders of projects can directly sue the contractor for any defects in the works undertaken. This increases the risk profile of the projects we undertake. To manage this risk where possible it is proposed to exclude its application in our contracts with clients.

LICENSING REGIME

General building contractor

Under the current contractor registration system in Hong Kong, a contractor must register with the Buildings Authority either as a general building contractor or as a specialist contractor or as a minor works contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors.

Under section 8B(2) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), an applicant for registration as a general building contractor or as a specialist contractor must satisfy the Buildings Authority on the following aspects:

(a) if it is a corporation, the adequacy of its management structure;

(b) the appropriate experience and qualifications of its personnel;

(c) its ability to have access to plant and resources; and

(d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

Under section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Buildings Authority for renewal of registration not earlier than four months and not later than 28 days prior to the date of expiry of the registration. Application for renewal of registration received by the Buildings Authority outside the specified time limit under section 8C(2)(c) will not be accepted. The application should comprise:

(a) a duly completed specified form;

(b) declarations in Buildings Authority standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the authorised signatory(ies), the technical director(s) and the other officer(s) in certain aspects;

(c) a job reference on a minimum of one relevant building project;

(d) certain documents relating to business registration; and

(e) the prescribed fee in accordance with Building (Administration) Regulation (Chapter 123A of the Laws of Hong Kong).

Minor works contractor

For registration as a Registered Minor Works Contractor, the applicant must satisfy the Buildings Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake minor works in the designated class and category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant minor works duties.

Under the Minor Works Regulation, a subsidiary legislation under the Buildings Ordinance, 'minor works' are classified into three classes according to their nature, scale and complexity and the risk and safety they pose. The works are further classified into types and items that correspond to the specialization of works in the industry. Class I minor works are relatively more complicated and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional (such as an authorised person and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor. The other two classes of minor works, Class II and Class III, works are comparatively simpler.

Set out below is a summary of certain provisions of the Memorandum and the Articles, and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 December 2015 under the Cayman Company Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles will be conditionally adopted. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Company Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Company Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. 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 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resigns;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Company Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Company Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Company Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Company Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Company Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in 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 share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' (and not less than 20 clear business days') notice in writing, and any other general meeting of the Company shall be called by at least 14 days' (and not less than 10 clear business days') notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Company Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly 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.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Company Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Company Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the 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 monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Company Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Company Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 10 December 2015 subject to the Cayman Company Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Company Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under Cayman Company Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Cayman Company 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.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so 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 member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Company Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Company Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company’s memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Company Law, and the provisions, if any, of the company’s memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company’s assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders’ suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss vs. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

    (i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from [•••].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

3.15 Register of Directors and officers

Pursuant to the Cayman Company Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or 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.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Company Law. This letter, together with a copy of the Cayman Company Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI 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 THE COMPANY

1. Incorporation

The Company was incorporated on 10 December 2015 in the Cayman Islands as an exempted company with limited liability under the Cayman Company Law. The Company has established a principal place of business in Hong Kong at 18/F, The Pemberton, 22-26 Bonham Strand, Central, Hong Kong and the Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 24 June 2016. Mr. Chan has been appointed as the authorised representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for acceptance of service of process and notices on the Company in Hong Kong is the same as its registered place of business in Hong Kong.

As the Company is incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of Cayman Islands and its constitution, comprising its Memorandum and Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Articles of Association is set out in "Summary of the Constitution of the Company and Cayman Company Law" in Appendix IV to this document.

2. Changes in Share Capital of the Company

As at the date of incorporation of the Company, the Company had an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. The following alterations in the issued and paid up share capital of the Company have taken place since its date of incorporation up to the date of this document:

(a) on 10 December 2015, one Share of par value of US$1.00 was allotted and issued fully-paid as the subscriber's share to Harneys Services (Cayman) Limited, an Independent Third Party, which in turn transferred such one Share to Mr. Chan at par on 14 December 2015. On 5 February 2016, Mr. Chan transferred one Share of par value of US$1.00 to Acropolis Limited at par.

(b) on 21 March 2016, 5,099 Shares of par value of US$1.00 each were allotted and issued to Acropolis Limited credited as fully-paid.

(c) on 8 April 2016, 4,900 Shares of par value of US$1.00 each were allotted and issued as fully-paid to W & Q Investment.

(d) On 23 June 2016, the Company underwent a subdivision of Shares whereby each of the existing issued and unissued ordinary Shares of par value of US$1.00 was subdivided into 100 ordinary Shares of par value of US$0.01 each, and such subdivided Shares shall rank *pari passu* in all respects with each other, such that after the subdivision, the authorised share capital of the Company became US$50,000 divided into 5,000,000 Shares of par value of US$0.01 each, and the issued share capital of the Company became US$10,000 divided into 1,000,000 Shares of par value of US$0.01.

(e) The Shareholders resolved that, conditional on the share premium account of the Company being credited as a result of the allotment and issue of the **[REDACTED]** pursuant to the **[REDACTED]**, the Directors were authorised to capitalise an amount of US$**[REDACTED]** standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par **[REDACTED]** Shares for allotment and issue to the Shareholders whose names appeared in the register of members of the Company at close of business on the date which the said resolution will be passed (or another date as the Directors may direct) to their respective shareholdings in the Company.

The following is a description of the authorised and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the **[REDACTED]**.

Authorised share capital:		*US$*
[500,000,000]	Shares of US$0.01 each	[5,000,000]
Issued and to be issued, fully paid or credited as fully paid:		
1,000,000	Shares in issue as at the date of this document	10,000
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Total Shares issued and to be issued upon completion of the Capitalisation Issue and the **[REDACTED]**	**[REDACTED]**

The above table assumes that the **[REDACTED]** becomes unconditional and Shares are issued pursuant to the **[REDACTED]**. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described below.

As at the date of this document, the Company had an authorised share capital of US$50,000, divided into 5,000,000 Shares, and an issued share capital of US$10,000, divided into 1,000,000 Shares, all fully paid or credited as fully paid.

Immediately following the completion of the Capitalisation Issue and the **[REDACTED]**, the issued share capital of the Company will be US$**[REDACTED]**, divided into **[REDACTED]** Shares, all fully paid or credited as fully paid and **[REDACTED]** Shares will remain unissued.

Save as disclosed above and in "3. Written Resolutions of the Shareholders to be Passed" below in this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

3. Written Resolutions of the Shareholders to be Passed

Pursuant to the written resolutions of the Shareholders to be passed, among other things:

(a) the Company approved and adopted the Memorandum and Articles of Association conditional upon **[REDACTED]**;

(b) conditional upon (i) the Listing Division of the Stock Exchange granting the **[REDACTED]** of, and permission to deal in, the Shares in issue and to be issued [as mentioned in this document/pursuant to the **[REDACTED]**]; (ii) the **[REDACTED]** being fixed on or around the **[REDACTED]** Determination Date; (iii) the execution and delivery of the **[REDACTED]** Agreement on or around the **[REDACTED]** Determination Date; and (iv) the obligations of the **[REDACTED]** under the **[REDACTED]** Agreement becoming unconditional and the **[REDACTED]** Agreement not being terminated in accordance with its terms or otherwise, in each case on or before such dates as may be specified in the **[REDACTED]** Agreement:

(1) the Capitalisation Issue and the **[REDACTED]** were approved and the Directors were authorised to effect the same and to allot and issue the new Shares pursuant to the Capitalisation Issue and the **[REDACTED]**;

(2) the proposed **[REDACTED]** was approved and the Directors were authorised to implement the **[REDACTED]**;

(3) conditional upon the share premium account of the Company being credited as a result of the allotment and issue of the **[REDACTED]** pursuant to the **[REDACTED]**, the Directors were authorised to capitalise an amount of US$**[REDACTED]** standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par **[REDACTED]** Shares for allotment and issue to the Shareholders of the Company whose names appeared on the register of members of the Company as at the close of business on the date which the said resolution will be passed (or another date as the Directors may direct) to their respective shareholdings in the Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;

(4) a general unconditional mandate was granted to the Directors to, *inter alia*, allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (A) a rights issue, (B) any scrip dividend scheme or similar arrangement providing for

the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (C) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(i) 20% of the total nominal or par value of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the **[REDACTED]**; and

(ii) the total nominal or par value of the share capital of the Company repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in sub-paragraph (5) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (A) the conclusion of our next annual general meeting, (B) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or (C) the date on which the resolution is varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting (the "**Relevant Period**") (the "**Issue Mandate**");

(5) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the Shares 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 the requirements of the GEM Listing Rules with an aggregate nominal value of not more than 10% of the aggregate nominal or par value of the Company's share capital in issue immediately following the completion of the Capitalisation Issue and the **[REDACTED]**, such mandate to remain in effect during the Relevant Period (the "**Repurchase Mandate**"); and

(6) the Issue Mandate as referred to in sub-paragraph (4) above was extended by an amount representing the aggregate nominal or par value of the Shares repurchased by the Company pursuant to the Repurchase Mandate as referred to in sub-paragraph (5) above.

B. OUR OPERATING SUBSIDIARY

The particulars of our operating subsidiary are provided in the Accountants' Report, the text of which is set out in Appendix I to this document.

C. FURTHER INFORMATION ON OUR SUBSIDIARIES

Save as disclosed in "E. Corporate Reorganisation" below in this Appendix and "History, Development and Reorganisation" in this document, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this document.

D. REPURCHASE BY THE COMPANY OF OUR OWN SECURITIES

This section set out information required by the Stock Exchange to be included in this document concerning the repurchase by the Company of our own securities.

1. Relevant Legal and Regulatory Requirements

The GEM Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(a) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing 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.

Pursuant to the written resolutions of the Shareholders to be passed, the Repurchase Mandate was given to the Directors to exercise all powers of the Company to repurchase up to 10% of the aggregate nominal or par value of the share capital of the Company in issue immediately following completion of the **[REDACTED]** on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose). The Repurchase Mandate will remain in effect during the Relevant Period.

(b) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of the Company, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, under the Cayman Company Law any repurchases by the Company may be made out of the Company's profits, out of the Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase, or, if authorised by the Articles of Association and subject to the Cayman Company Law, out of capital. Any amount of premium payable on a purchase over the par value of the Shares to be repurchased must be out of the profits, out of the Company's share premium account, or, if authorised by the Articles of Association and subject to the Cayman Company Law, out of capital.

(c) Trading Restrictions

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The GEM Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) Suspension of Repurchase

Pursuant to the GEM Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of 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 GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required by the GEM Listing Rules); and (ii) the deadline for a listed company to publish an announcement of its results for any year, half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange unless the circumstances are exceptional.

(e) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person" (as defined in the GEM Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company on the Stock Exchange.

2. Reasons for Repurchases

The Directors believe that it is in the Company's and the Shareholders' best interests for the Directors to have general authority from the Shareholders to enable the Company to execute repurchases of the 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 its earnings per Share and will only be made where the Directors believe that such repurchases will benefit the Company and the Shareholders.

3. Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the Company's current financial position as disclosed in this document and taking into account the Company's current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, there might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this document. However, the 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 Company's working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for us.

4. General

The exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately following the completion of the Capitalisation Issue and the **[REDACTED]** could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by the Company during the Relevant Period.

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the **[REDACTED]** of Shares on the Stock Exchange. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agrees to waive the GEM Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances.

No core connected person (as defined in the GEM Listing Rules) of the Company has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

E. CORPORATE REORGANISATION

The companies comprising the Group underwent the Reorganisation in preparation for **[REDACTED]** of the Shares on the Stock Exchange. Please refer to "History, Development and Reorganisation – Corporate reorganisation" in this document for further details.

F. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or our subsidiaries within the two years preceding the date of this document and are or may be material:

(a) a share transfer instrument dated 5 February 2016 entered into between Chan Siu Chung and Aeso Holding Limited for the transfer of 1 ordinary share of Aeschylus Limited at a consideration of US$1.00;

(b) an instrument of transfer dated 29 February 2016 entered into between Chan Siu Chung and Aeschylus Limited for the transfer of 1,000,000 shares of Aeso Limited from Chan Siu Chung to Aeschylus Limited at a consideration of HK$1;

(c) bought and sold notes dated 29 February 2016 executed by Chan Siu Chung and Aeschylus Limited for the transfer of 1,000,000 shares of Aeso Limited as referred to item (b) above;

(d) the Subscription Agreements;

(e) the Deed of Indemnity;

(f) the Non-Competition Deed; and

(g) the Underwriting Agreement.

2. Our Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we have applied for registration of the following series of trademarks:

Trademark	Place of registration	Trademark application number	Name of applicant	Classes *(Notes)*	Date of application
	Hong Kong	303681027	Aeso Limited	20, 35, 37, and 42	5 February 2016

Notes:

Class 20

Furniture, mirrors, picture frames; unworked or semi-worked bone, horn, ivory, whalebone or mother-of-pearl; shells; meerschaum; yellow amber

Class 35

Advertising; business management; business administration; office functions

Class 37

Building construction; repair; installation services

Class 42

Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

(b) Domain name

As at the Latest Practicable Date, we have registered the following domain name:

Domain name	Name of applicant	Domain name commencement date	Expiry date
www.aeso.hk	Aeso Limited	25 January 2008	25 January 2021

G. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and our associated corporations

Immediately following the completion of the Capitalisation Issue and the **[REDACTED]**, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of interest and capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Mr. Chan *(Note)*	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**%

Note:

(1) Immediately following the completion of the Capitalisation Issue and the **[REDACTED]**, Mr. Chan directly owns 100% of Acropolis Limited, which will in turn hold approximately **[REDACTED]**% of the issued share capital of the Company. Mr. Chan is deemed, or taken to be interested in, all the Shares held by Acropolis Limited for the purpose of the SFO.

(b) Interests and short positions of substantial shareholders in the Shares or underlying Shares of the Company

So far as is known to any Director or chief executive of the Company, immediately following completion of the Capitalisation Issue and the **[REDACTED]**, the following persons (other than a Director or chief executive of the Company) will have an interest or a short position in the Shares or the underlying Shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long position in our Shares

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Acropolis Limited *(Note 1)*	Beneficial owner	**[REDACTED]**	**[REDACTED]**%
W & Q Investment *(Note 2)*	Beneficial owner	**[REDACTED]**	**[REDACTED]**%
Mr. Liu *(Note 2)*	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**%

Notes:

(1) Immediately following the completion of the Capitalisation Issue and the **[REDACTED]**, Mr. Chan directly owns 100% of Acropolis Limited, which will in turn hold approximately **[REDACTED]**% of the issued share capital of the Company. Mr. Chan is deemed, or taken to be interested in, all the Shares held by Acropolis Limited for the purpose of the SFO.

(2) Immediately following the completion of the Capitalisation Issue and the **[REDACTED]**, Mr. Liu directly owns 100% of W & Q Investment, which will in turn hold approximately **[REDACTED]**% of the issued share capital of the Company. Mr. Liu is deemed, or taken to be interested in, all the Shares held by W & Q Investment for the purpose of the SFO.

As at the Latest Practicable Date, so far as is known to the Directors, other than the Company, no other persons were 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 of our subsidiaries.

2. Directors' Service Contracts

None of the Directors has entered into a service contract or an appointment letter with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses, equity-settled share option expenses and pension scheme contributions) paid to the Directors for the years ended 31 March 2015 and 2016 was approximately HK$1.8 million and HK$3.2 million, respectively.

There was no arrangement under which a Director waived or agreed to waive any remuneration for any of the two years ended 31 March 2015 and 2016.

Save as disclosed above, no other payments have been made or are payable in respect of the two years ended 31 March 2015 and 2016 by any member of the Group to any of the Directors.

Under the arrangements currently in force, the Company estimates the aggregate remuneration payable to, and benefits in kind receivable by (excluding any discretionary bonuses), the Directors in respect of the year ending 31 March 2017 to be approximately HK$1.69 million.

During the Track Record Period, no remuneration was paid by us to, or receivable by, the Directors or the five highest paid individuals as an inducement to join or upon joining the Company. No compensation was paid by us to, or receivable by, the Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of the Company.

4. Personal Guarantees

Save as disclosed in this document, as at the Latest Practicable Date, the Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to the Group.

5. Agency Fees or Commission Received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors and experts referred to in "H. Other Information – 6. Qualifications of Experts" below in this Appendix) in connection with the issue or sale of any capital or security of the Company or any of member of the Group within the two years preceding the date of this document.

6. Related-Party Transactions

Details of the related-party transactions are set out under Note 32 to the Accountants' Report set out in Appendix I to this document.

7. Disclaimers

Save as disclosed in this document:

(a) none of the Directors or chief executives of the Company has any interest and/or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of the Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, 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 the Group;

(c) none of the Directors nor any of the persons listed in "H. Other Information – 6. Qualifications of Experts" below in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of the Directors is materially interested in any contract or arrangement subsisting with the Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of the Group taken as a whole;

(e) save in connection with **[REDACTED]** Agreement, none of the persons listed in "H. Other Information – 6. Qualifications of Experts" below in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) save for the **[REDACTED]** Agreement, none of the persons listed in "H. Other Information – 6. Qualifications of Experts" below in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;

(g) within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(h) so far as is known to the Directors, none of the Directors or their close associates or any Shareholder (which to the knowledge of the Directors owns 5% or more of the issued share capital of the Company) has any interest in any of the five largest suppliers or customers of the Group.

H. OTHER INFORMATION

1. Litigation

As at the Latest Practicable Date, save as disclosed in this document, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to the Directors to be pending or threatened against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

2. Sponsor

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules. The Sponsor's fees payable by us in respect of the Sponsor's services as sponsor for the **[REDACTED]** is HK$6.5 million.

The Sponsor has made an application on behalf of the Company to the Listing Division for the **[REDACTED]** of, and permission to deal in, the Shares in issue and to be issued pursuant to the **[REDACTED]**. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

3. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2016 (being the date to which the latest audited combined financial statements of the Group were prepared).

4. Tax and other indemnities

(a) Tax on Dividends

No tax is payable in Hong Kong in respect of dividends paid by us.

(b) Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15.0% on unincorporated businesses. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(c) Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(d) Estate Duty

There is no estate duty in Hong Kong.

(e) Deed of Indemnity

Pursuant to the Deed of Indemnity given by the Controlling Shareholders in favor of the Company (and its subsidiaries) and conditional on the fulfillment of the conditions stated in "Structure and Conditions of the **[REDACTED]** – Conditions of the **[REDACTED]**" in this document, the Controlling Shareholders have agreed and undertaken to each of the members of the Group on a joint and several basis that they would indemnify and at all times keep the same indemnified on demand from and against any taxation falling on any members of the Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the **[REDACTED]** Date or any event, transaction, act or omission occurring or deemed to occur on or before the **[REDACTED]** Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the **[REDACTED]** Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company. For the avoidance of doubt, the aforesaid provision shall require the Controlling Shareholders to indemnify and at all times keep each of the members of the Group indemnified, in each case, in respect of any additional taxation which may fall on the Company or any other member of the Group in respect of a taxation claim resulting from a reassessment or similar action by a taxation authority against any member of the Group of taxation due and whether or not such reassessment is effected in respect of taxation which the Company or any other members of the Group had previously reached agreement with a taxation authority.

Under the Deed of Indemnity, the Controlling Shareholders have also agreed and undertaken to each of members of the Group on a joint and several basis that they would indemnify and at all times keep the same indemnified on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties and expenses incurred or suffered by the Company or any members of the Group resulting from the Reorganisation and any and all of the non-compliances of any of the members of the Group with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance or other applicable laws, rules or regulations in their respective place of incorporations or operation which has occurred at any time on or before the **[REDACTED]** Date.

However, the indemnities given by the Controlling Shareholders under the Deed of Indemnity do not cover, and the Controlling Shareholders shall be under no liability in respect of, any liability on taxation and taxation claim:

(i) to the extent that provision has been made in the audited combined accounts of the Group or the audited accounts of any of the members of the Group for an accounting period ended on or before 31 March 2016;

(ii) falling on any members of the Group in respect of any accounting period commencing on or after 31 March 2016 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, the Controlling Shareholders or any members of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:

(1) in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the **[REDACTED]** Date; or

(2) pursuant to a legally binding commitment created on or before the date of the deed of indemnity or pursuant to any statement of intention made in this document;

(iii) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or government authority (in Hong Kong or elsewhere), including without limitation the Inland Revenue Department, having retrospective effect coming into force after the **[REDACTED]** Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the **[REDACTED]** Date with retrospective effect;

(iv) to the extent that such liability is discharged by another person who is not a member of the Group and that none of the member of the Group is required to reimburse such person in respect of the discharge of such liability; or

(v) to the extent of any provision or reserve made for such liability in the audited accounts referred to in paragraph (i) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

(f) Consultation with professional advisors

Potential investors in the **[REDACTED]** are recommended to consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of the Company, the Sponsor, the **[REDACTED]**, any of their respective directors, or any other person or party involved in the **[REDACTED]** accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares.

5. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of the Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(iv) no commission has been paid or payable (except commissions to the **[REDACTED]**) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of the Group; and

(v) no founders, management or deferred shares of the Company or any of its subsidiaries has been issued or agreed to be issued;

(b) None of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any **[REDACTED]** or permission to deal being or proposed to be sought;

(c) The Company has no outstanding convertible debt securities;

(d) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document;

(e) The Directors have been advised that the adoption of a Chinese name by the Company does not contravene Cayman Islands law;

(f) There is no arrangement under which future dividends are waived or agreed to be waived;

(g) No company within the Group is presently listed on any stock exchange or traded on any trading system; and

(h) Our principal share register will be maintained by our principal registrar, **[REDACTED]** in the Cayman Islands and our Hong Kong Share Register will be maintained by **[REDACTED]** in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

6. Qualifications of experts

The following are the qualifications of experts who have opined or advised on information contained in this document:

Name	Qualification
Anglo Chinese Corporate Finance, Limited	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
Harney Westwood & Riegels	Legal adviser to the Company as to the laws of the Cayman Islands
Frost & Sullivan Limited	Industry consultant
Baker Tilly Hong Kong Risk Assurance Limited	Internal control consultant
Ms. Bonnie V. Y. Tam	Barrister-at-law in Hong Kong
Ms. Priscilia T. Y. Lam	Barrister-at-law in Hong Kong

7. Consent of Experts

Each of the Anglo Chinese Corporate Finance, Limited, Deloitte Touche Tohmatsu, Harney Westwood & Riegels, Frost & Sullivan Limited, Baker Tilly Hong Kong Risk Assurance Limited, Ms. Bonnie V. Y. Tam and Ms. Priscilia T. Y. Lam has given and has not withdrawn its/her consent to the issue of this document with the inclusion of its/her report and/or letter and/or legal opinion and/or legal memorandum (as the case may be) and references to its/her name included in the form and context in which it respectively appears. None of the experts named above has any shareholding interests in the Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of our subsidiaries.

8. Promoters

The Company has no promoter for purposes of the GEM Listing Rules.

9. Preliminary Expenses

The estimated preliminary expenses of the Company are approximately HK$78,000 and were payable or paid by the Company.

10. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of binding all persons concerned by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

The English text of this document shall prevail over its Chinese text.

11. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Appendix V – Statutory and General Information – F. Further Information About Our Business – 1. Summary of Material Contracts"; and

(b) the written consents referred to in "Appendix V – Statutory and General Information – H. Other Information – 6. Qualifications of Experts" in this document.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Peter Yuen & Associates (in association with Fangda Partners) at 26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles of Association of the Company;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the texts of which are set out in "Accountants' Report" in Appendix I to this document and "Unaudited pro forma financial information" in Appendix II to this document;

(c) the audited report on the combined financial statements of the Group for each of the two years ended 31 March 2015 and 2016;

(d) the letter of advice prepared by Harney Westwood & Riegels, our legal advisor as to the laws of the Cayman Islands, summarising certain aspects of the Cayman Company Law referred to in "Summary of the constitution of the Company and Cayman Company Law" in Appendix IV to this document;

(e) the legal opinions prepared by Ms. Bonnie V. Y. Tam, the Legal Counsel, in respect of certain aspects of Hong Kong law applicable to the Group;

(f) the legal opinions issued by Ms. Priscilia T. Y. Lam, the Litigation Counsel;

(g) the industry report prepared by Frost & Sullivan Limited;

(h) the material contracts referred to in "Statutory and General Information – F. Further information about our business – 1. Summary of material contracts" in Appendix V to this document;

(i) the written consents referred to in "Statutory and General Information – H. Other information – 6. Qualifications of experts" in Appendix V to this document; and

(j) the Cayman Company Law.