中持基業控股有限公司
Kate China Holdings Limited

Incorporated in Hong Kong with limited liability

Stock code : 8125

Listing by way of Placing

Sponsor

ALTUS CAPITAL LIMITED

Sole Bookrunner and Underwriter

金利豐證券
KINGSTON SECURITIES

IMPORTANT

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

Kate China Holdings Limited
(中持基業控股有限公司)

(Incorporated in Hong Kong with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	**:**	**75,000,000 Placing Shares**
Placing Price	**:**	**Not more than HK$0.70 per Placing Share and not less than HK$0.50 per Placing Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)**
Stock code	**:**	**8125**

Sponsor

ALTUS CAPITAL LIMITED

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金利豐證券
KINGSTON SECURITIES

A copy of this prospectus, together with the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 38D of the Companies (Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Placing Price is currently expected to be fixed by an agreement between our Company and the Sole Bookrunner on the Price Determination Date, which is scheduled on or about 11 July 2014, or such later date as may be agreed between our Company and the Sole Bookrunner. If our Company and the Sole Bookrunner are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange website at *www.hkexnews.com* and our Company's website at *www.katechina.hk*. The Placing Price is expected to be not more than HK$0.70 per Placing Share and not less than HK$0.50 per Placing Share. The Company and the Sole Bookrunner may, based on the level of interest expressed by prospective investors during the book-building process, change the indicative Placing Price range as stated in this prospectus at any time prior to the Price Determination Date. If this occurs, a notice of reduction of the indicative Placing Price range will be published on the Stock Exchange website at *www.hkexnews.com* and our Company's website at *www.katechina.hk*.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk factors" of this prospectus.

Prospective investors of the Placing Shares should note that the Sole Bookrunner is entitled to terminate the Underwriting Agreement by means of a notice in writing given by the Sole Bookrunner to our Company upon the occurrence of any of the events set out under the paragraph headed "Grounds for termination" in the section headed "Underwriting" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Bookrunner terminate the Underwriting Agreement, the Placing will not proceed and will lapse.

8 July 2014

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

	2014 *(Note 1)*
Price Determination Date *(Note 2)* on	11 July
Announcement of the determination of the Placing Price and the level of indication of interest in the Placing to be published (a) on the Stock Exchange website at *www.hkexnews.com*; and (b) on our Company's website at *www.katechina.hk* on or before	17 July
Allotment of the Placing Shares to placees on or before	17 July
Deposit of share certificates for the Placing Shares into CCASS on or before *(Note 3)*	17 July
Dealings in the Shares on GEM to commence at 9:00 a.m. on *(Notes 4, 5 and 6)*	18 July

Notes:

1. Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

2. The Price Determination Date is scheduled on at 6:00 p.m., on 11 July 2014 (or such later date as may be agreed between our Company and the Sole Bookrunner). If our Company and the Sole Bookrunner are unable to reach an agreement on the Placing Price on the Price Determination Date (or such later date as may be agreed between our Company and the Sole Bookrunner), the Placing will not proceed and will lapse.

3. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before 17 July, 2014 for credit to the relevant CCASS participants' or the CCASS investor participants' stock accounts designated by the Underwriter, the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued.

4. For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and conditions of the Placing" of this prospectus.

5. If there is any change of the above expected timetable, a separate announcement will be made by our Company on the Stock Exchange website at *www.hkexnews.com* and on our Company's website at *www.katechina.hk* to inform our investors accordingly.

6. All share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (a) the Placing has become unconditional in all respects; and (b) the Underwriting Agreement has not been terminated in accordance with its terms. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, our Company will make an announcement on the Stock Exchange website at *www.hkexnews.com* and on our Company's website at *www.katechina.hk* as soon as possible.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. We, the Sponsor, the Sole Bookrunner and the Underwriter have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by you as having been authorised by us, the Sponsor, the Sole Bookrunner, the Underwriter, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Placing.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Placing Shares.

There are risks associated with any investment in companies listed on GEM. Some of the particular risks relating to investing in the Placing Shares are set out in the section headed "Risk factors" of this prospectus. You should read that particular section carefully before you decide to invest in the Placing Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary" of this prospectus.

OVERVIEW

Our Group is a design and fitting-out business based in Hong Kong which provides a one-stop service for customers ranging from design, project implementation and management to the procurement of furnishings and materials. We have been conducting our business since 2004, through our principal operating subsidiary, Karlson, in Hong Kong. Our Group has expanded its business to Singapore in 2012 through Hotel Sourcing Singapore, another subsidiary of our Group and recently further expanded our business to Malaysia.

BUSINESS

Principal business activities

Our two main types of projects include (i) design and fitting-out works which involve the design, project management of small construction works and procurement of furnishings and materials and (ii) design and procurement of furnishings and materials which involve stand-alone design and procurement of furnishings and materials services but not involving any construction works. Our business in Hong Kong involves both types of projects. Most of the operational procedures in relation to rendering services for these two types of projects are similar, except for the construction work involved. For design and procurement of furnishings and materials projects, we are not involved in the construction work (i.e. no demolition, painting or electrical work), and accordingly, relatively fewer sub-contractors would be engaged. Other scope of work such as design, coordination with suppliers and sub-contractors and quality control at suppliers' site are similar for both types of projects. In Singapore and Malaysia, we currently only provide design and procurement of furnishings and materials services.

Our Group does not directly employ manual workers. Our employees who are involved in the projects are mainly designers or project management staff and they render services to both types of projects. Manual workers are usually self-employed and our Directors confirmed that this arrangement is an industry practice, given that the design and fitting-out and procurement industry is mostly project-based.

Set out below the number of completed projects during the Track Record Period.

	For the year ended 31 March					
	2012		2013		2014	
	No. of projects	Revenue *HK$'000*	No. of projects	Revenue *HK$'000*	No. of projects	Revenue *HK$'000*
Design and fitting-out projects						
— Hong Kong	18	5,549.3	28	15,263.0	24	65,565.3
Design and procurement of furnishings and materials projects	4	399.0	9	28,690.2	10	23,791.6
— Hong Kong	4	399.0	5	16,718.9	7	6,057.1
— Singapore	—	—	4	11,971.3	2	922.5
— Malaysia	—	—	—	—	1	16,812.0
Total	22	5,948.3	37	43,953.2	34	89,356.9

For details, please refer to the paragraph headed "4.1.1 Projects completed" under the section headed "Business" on page 71 of this prospectus. Set out below is the breakdown of our Group's revenue by types of projects during the Track Record Period.

Revenue breakdown by types of projects and the geographical location of the projects

	For the year ended 31 March					
	2012		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Design and fitting-out services income – Hong Kong	56,457	99.09	44,620	60.87	68,546	71.49
Design and procurement of furnishings and materials services income						
– Hong Kong	521	0.91	16,719	22.80	5,938	6.19
– Singapore	–	–	11,971	16.33	922	0.96
– Malaysia	–	–	–	–	20,481	21.36
Sub-total	521	0.91	28,690	39.13	27,341	28.51
Total	**56,978**	**100.00**	**73,310**	**100.00**	**95,887**	**100.00**

The following table shows the gross profit margin for the design and fitting-out services and the design and procurement of furnishings and materials services for the three years ended 31 March 2014.

	For the year ended 31 March		
	2012	**2013**	**2014**
	%	%	%
Gross profit margin:			
Design and fitting-out services	20.29	37.89	24.41
Design and procurement of furnishings and materials services	61.42	41.27	33.39
— Hong Kong	61.42	49.12	21.09
— Singapore	—	30.30	28.81
— Malaysia	—	—	37.16
Overall	20.67	39.21	26.97

As shown above, gross profit margin for design and procurement of furnishings and materials services are generally higher, as the related projects involved fewer sub-contractors. Also, such projects usually involved hotels or schools which have specific requirements for furnishings, that are standardised and can be purchased in bulk, enabling our Group to enjoy economies of scale.

Our customers

We primarily focus on the hospitality segment in Hong Kong by providing design and fitting-out services for hotels. Our Group has also designed, fit-out and provided procurement services for a range of projects including residential units, commercial and retail premises and schools mainly in Hong Kong, Singapore and Malaysia. During the Track Record Period, our major customers include Far East Group, Nha Trang Vietnamese Cuisine and Metropark Hotel Kowloon. We have an established business relationship of over five years with certain of our customers, namely the Far East Group. During the Track Record Period, we have completed 93 projects and each year over 77.40% of our revenue was derived from projects for hotels and schools. Customer A was the largest customer of our Group for the three years ended 31 March 2012, 2013 and 2014. For the three years ended 31 March 2012, 2013 and 2014, revenue derived from Customer A accounted for approximately 75.50%, 48.11% and 29.23% of the total revenue of our Group respectively. For the three years ended 31 March 2012, 2013, and 2014, revenue derived from our five largest customers, amounted to approximately 95.00%, 96.24% and 87.80% of the total revenue of our Group respectively. For illustration, if members of the Broader C Family, though each of them is an Independent Third Party, were to be categorised as a single customer, our Group derived from such customer an aggregate revenue of approximately HK$47.3 million, HK$36.8 million and HK$50.8 million respectively in each year during the Track Record Period, representing approximately 83.09%, 50.18% and 53.02% of our Group's total revenue for the three years ended 31 March 2012, 2013 and 2014 respectively. If the Broader C Family were to be categorised as a single customer, revenue derived from it aggregated together with the next four largest customers would be approximately HK$55.3 million, HK$71.6 million and HK$90.1 million, representing approximately 97.00%, 97.71% and 93.95% of our Group's total revenue during the Track Record Period. Save for approximately HK$585,000 of revenue generated from related parties for the year ended 31 March 2012 as described in note 30(a) of the accountants' report set out in Appendix I to this prospectus, all revenue during the Track Record Period was derived from Independent Third Party customers.

Customer H, an individual, is a member of the Broader C Family. Customer H is the controlling shareholder, chairman, chief executive officer and executive director of the holding company of Customer A. To the best of our Directors' knowledge, Customer H is a majority shareholder of Customer E, a private company. For details, please refer to the section headed "Business" on pages 90 to 92 of this prospectus. Given the aforesaid relationships among certain top customers of our Group, the revenue contributed by the Broader C Family during the Track Record Period amounted to approximately 83.09%, 50.18% and 53.02% of the total revenue of our Group respectively.

Our materials suppliers and sub-contractors

During the Track Record Period, our suppliers include materials suppliers and sub-contractors. During the Track Record Period, all materials suppliers and sub-contractors were Independent Third Parties of our Group.

Our materials suppliers

The major items that we purchase from our materials suppliers include cabinets, bed frames, wardrobe, tables, chairs and table lamps are manufactured according to our customers' specification. As at the Latest Practicable Date, we have a pool of over 30 materials suppliers from which we select for each project. For the year ended 31 March 2012, purchases from Materials Supplier A, our largest materials supplier, accounted for approximately 14.88% of our total cost of sales. For the two years ended 31 March 2014, Materials Supplier C was our largest materials supplier who accounted for approximately 23.00% and 14.55% of our total cost of sales of each of the two years respectively. Purchases from our five largest materials suppliers during the Track Record Period accounted for approximately 33.43%, 42.66% and 33.03%, of our total cost of sales respectively.

Our sub-contractors

We sub-contract all labour intensive construction works to sub-contractors. Our sub-contractors are neither employees nor agents of our Group and we are not a party to the employment arrangements between the sub-contractors and their employees. Considering the projects undertaken by our Group, we believe that sub-contracting provides us with flexible means to meet the fluctuating workload demands and the diversity of the required expertise. During the Track Record Period, aggregate sub-contracting costs attributable to our five largest sub-contractors accounted for approximately 19.34%, 19.56% and 10.14%, of our total cost of sales respectively. Sub-contractor A was our largest sub-contractor for the two years ended 31 March 2012 and 2013 and accounted for approximately 6.35% and 6.47%, of our total cost of sales of each of the two years respectively. Sub-contractor D was our largest sub-contractor for the year ended 31 March 2014 and accounted for approximately 2.48% of the total cost of sales of that year.

COMPETITIVE LANDSCAPE AND STRENGTHS

We believe the markets in which we operate our business are not heavily regulated and therefore the entrance barrier is considered to be low and price competition is considerably low. Our competitors range from sole proprietorships and small business construction and design companies to large scale professional construction companies. Our Directors believe that our competitive strengths as illustrated below have driven customer demand and enabled us to withstand these conditions:

- Established track record and reputation
- Experienced and efficient team

- Good relationships with materials suppliers and sub-contractors

- Integrated one-stop service

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

Our primary business objectives are (i) to further capture the hospitality design and fitting-out markets in Hong Kong and (ii) to expand our design and procurement of furnishings and materials business in Singapore and Malaysia.

The net proceeds of the Placing, after deducting fees and estimated expenses payable by our Company in connection with the Placing, are estimated to be approximately HK$31.0 million (calculated based on the Placing Price of HK$0.60 per Placing Share being the mid-point of the indicative price range of the Placing Price). We intend to apply the net proceeds as follows:

- approximately HK$3.0 million (or approximately 9.7% of the net proceeds) for enhancing our customer awareness in Hong Kong, Singapore and overseas;

- approximately HK$0.5 million (or approximately 1.6% of the net proceeds) for enhancing our design capacity and office efficiency in Hong Kong;

- approximately HK$13.0 million (or approximately 41.9% of the net proceeds) for expanding our office in Hong Kong through the acquisition of a new showroom/workshop;

- approximately HK$0.5 million (or approximately 1.6% of the net proceeds) for establishing our presence in Singapore through the leasing of an office and expansion of our sales team in Singapore *(note)*;

- approximately HK$11.0 million (or approximately 35.5% of the net proceeds) for expanding our office in Singapore through the acquisition of a new sales office/showroom *(note)*; and

- approximately HK$3.0 million (or approximately 9.7% of the net proceeds) for funding our working capital and general corporate purposes.

Note: In view of the close proximity between Singapore and Malaysia, our Directors intend to use the Singapore office and showroom to cover business opportunities in both Singapore and Malaysia. Please refer to the paragraph headed "Continue development in design and procurement of furnishings and materials segment during the year ended 31 March 2014" on pages 65 to 67 of this prospectus for further details.

To the extent that the net proceeds of the Placing are not immediately applied for the above purposes, it is our present intention that such proceeds will be deposited into interest-bearing bank accounts with licensed financial institutions in Hong Kong. Details of the implementation of our Group's future plans are set out in the section headed "Future plans and use of proceeds" on pages 174 to 177 of this prospectus.

FINANCIAL INFORMATION

The following is a summary of the consolidated results of our Group during the Track Record Period extracted from the accountants' report, the text of which is set out in Appendix I to this prospectus. This summary should be read in conjunction with the aforesaid accountants' report.

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	56,978	73,310	95,887
Cost of sales	(45,200)	(44,565)	(70,026)
Gross profit	11,778	28,745	25,861
Profit before tax	4,598	21,938	11,948
Profit for the year attributable to owners of our Company	3,643	18,371	9,645
Net cash (used in) generated from operating activities	(2,768)	17,629	(9,612)

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Net assets	1,171	13,396	23,195
Net current assets	722	12,999	22,529

RECENT DEVELOPMENT

For the two months ended 31 May 2014, our Group recorded total revenue of approximately HK$10.0 million, of which approximately HK$9.5 million was derived from Hong Kong, nil from Singapore and approximately HK$0.5 million from Malaysia representing approximately 95.23%, nil and 4.77% of the total revenue of our Group respectively.

For the two months ended 31 May 2014, our Group recorded a gross profit of approximately HK$2.9 million and the overall gross profit margin was approximately 28.90%. During the same period, gross profit for design and fitting-out services derived in Hong Kong, Singapore and Malaysia amounted to approximately HK$2.6 million, nil and nil respectively, and for design and procurement of furnishings and materials services were approximately HK$160,000, nil and HK$154,000 respectively. During the same period, gross profit margin for design and fitting-out services was approximately 28.62%, and gross profit margin for design and procurement of furnishings and materials was approximately 31.35%, which were similar to the respective percentages recorded for the year ended 31 March 2014. Gross profit margin for design and procurement of furnishings and materials services remained higher than that for design and fitting-out services for the two months ended 31 May 2014, as was the case for the year ended 31 March 2014. For the two months ended 31 May 2014, the cost structure and expenses of our Group, other than listing expenses, remained stable as compared to the year ended 31 March 2014.

The aforesaid discussion of the selected financial information for the two months ended 31 May 2014 is based on our unaudited consolidated financial statements prepared in accordance with the Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants and reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants for such relevant period.

During the two months ended 31 May 2014, our Group has three new customers, all of which were related to design and fitting-out services and in aggregate contributed approximately HK$1.6 million in the revenue to our Group.

Up to 31 May 2014, being the latest practicable date for the purpose of this prospectus, our Group has 13 projects on hand. With regard to those 13 projects on hand, ten of them relate to design and fitting-out services in Hong Kong, two of them relate to design and procurement of furnishings and materials services in Hong Kong and one relates to design and procurement of furnishings and materials services in Malaysia.

Our Directors confirm that (i) so far as they are aware, there were no material adverse changes in the market conditions, environment or the industry in which we operate in that had materially and adversely affected our financial or operating position since 31 March 2014 and up to the Latest Practicable Date, (ii) there had been no material adverse changes in the trading and financial positions or prospects of our Group since 31 March 2014 and up to the Latest Practicable Date, (iii) no event had occurred since 31 March 2014 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus; and (iv) there were no cancellation of major projects or orders, and no material default by customers during the Track Record Period up to the Latest Practicable Date.

After the Listing, the net proceeds of the Placing will be applied towards enhancing customer awareness of our Group, expanding our team in Hong Kong and our presence in Singapore will further grow the business of our Group.

There were fluctuations to the revenue mix and net operating cashflow position of our Group from time to time. As our Group's business is project-based, such effect is beyond our Group's control. For further details, please refer to the paragraph headed "Risk relating to business and operations of our Group" under the section headed "Risk factors" on pages 21 to 25 of this prospectus, and the paragraphs headed "Revenue", "Gross profit" and "Liquidity and capital resources" under the section headed "Financial information" on pages 147 to 151, 153 to 154 and 158 to 160 of this prospectus respectively. Based on the financial performance of our Group during the Track Record Period, the Sponsor concurs with our Directors and is of the view that our Group has demonstrated the sustainability of its business and its ability to operate, even under changing customer demand and market conditions.

As disclosed in the section headed "Industry overview" of this prospectus, there is keen competition in the design and fitting-out and procurement industry in Hong Kong, Singapore and Malaysia. Our executive Directors have been in the industry for more than ten years and are familiar with the competitive landscape of the markets. As our Group provides one-stop integrated services from designing to project implementation and procurements of furnishings and materials, we believe that such competitive strengths allow our Group to provide quality services to customers at reasonable price. At the same time, our Group has established and maintained good relationships with sub-contractors and materials suppliers over the years. Our Directors are of the view that given the scope of our projects, our operation cannot be easily taken over by any one of our sub-contractors, as they usually focus on one particular area of services such as woodwork, electrical work or cement or painting and they usually lack the expertise in overall project management.

Taking into account the above reasons, as well as having considered our Group's recent development, the number of contracts on hand and based on the financial performance of our Group during the Track Record Period, our Directors are of the view and the Sponsor concurs that our Group has the ability to sustain its business and to operate in this competitive industry.

Financial ratios

The following table sets out certain financial ratios as at the end of the financial year:

	For the year ended 31 March		
	2012	**2013**	**2014**
Gross profit margin	20.67%	39.21%	26.97%
Net profit margin	6.39%	25.06%	10.06%
Current ratio	1.04	2.14	1.87
Return on total assets	16.87%	73.88%	19.62%
Return on equity	3.1 times	1.4 times	0.4 time
Interest coverage	136.2 times	915.1 times	272.5 times
Creditor turnover days	17.1	5.9	14.4
Debtor turnover days	48.2	52.0	74.7

For the year ended 31 March 2013, a significant portion of our revenue was generated from design and procurement of furnishings and materials services as compared to the year ended 31 March 2012. In addition, the gross profit margin of projects for design and procurement of furnishings and materials services was higher than the gross profit margin of projects for design and fitting-out services. In particular, it was mainly attributable to a project in Hong Kong, where there were specific requirements on the furnishings and on the completion date (namely no time allowed for extension). As a result of these requirements, our Group was able to demand for a higher profit margin. With regard to the aforesaid project, for the year ended 31 March 2013, our Group has recorded a revenue of approximately HK$16.4 million and a gross profit of approximately HK$8.2 million, which in turn generated a gross profit margin of approximately 50.41%. Such gross profit margin is at the high end among all other projects of our Group for the year ended 31 March 2013. As a result, the overall gross profit margin for the year ended 31 March 2013 has improved to approximately 39.21%. Our Directors believe that the overall gross profit margin for the year ended 31 March 2014 fell to approximately 26.97% due partly to the decrease in gross profit margin of projects for design and fitting-out services because of low marketing needs, and the decrease in gross profit margin of projects for design and procurement of furnishings and materials services was partly due to concessions made to a customer which is a non-profit making specialised institute in Hong Kong. Net profit margin for the year ended 31 March 2013 increased to approximately 25.06% due to the same reason above; while the net profit margin for the year ended 31 March 2014 decreased to approximately 10.06% mainly due to the impact of the listing expenses recognised during the period. For details, please refer to the section headed "Financial information" on pages 147 to 154 of this prospectus.

Gearing ratio is low and interest coverage is high because our Group's finance cost is insignificant as compared to our cash/profit level. The increase in creditor turnover days for the year ended 31 March 2014 is due to the fact that there was delay in one project and our Group has agreed with the creditor that the relevant invoice would be settled upon actual delivery of products, which was in line with our payment practice in general. The increase in debtor turnover days for the year ended 31 March 2014 was largely attributable to the fact that our Group issued an invoice of HK$13 million as at 31 March 2014 which was acknowledged by such customer. The said HK$13 million remained as trade receivables as our Group has agreed that payment could be made upon the project's commencement. In May 2014, after further negotiation between our Group and the customer, due to such customer's internal issues and request in consideration of the customer's business needs, both parties agreed to change the work schedule and payment terms. Due to such change, the relevant trade receivables of HK$13 million was revised to approximately HK$1.9 million. The amounts due to customers for contract work was revised correspondingly. There was also a change in the contract value from HK$26.0 million to approximately HK$25.3 million, and an extension of the project's expected completion from December 2014 to June 2015. There was no effect to our Group's revenue and profit for the year ended 31 March 2014, and the net assets of our Group as at 31 March 2014. For further details, please refer to the paragraphs headed "Trade and other receivables" and "Amount due to customers for contract work" on pages 165 to 168 and 169 of this prospectus respectively.

IMPACT OF LISTING EXPENSES

The listing expenses represent the fees and costs incurred for the issue of new Shares and getting the existing and new Shares listed on GEM. As the issue of new Shares is the issue of an equity instrument whilst the listing of existing and new Shares is not, the listing expenses are required to be allocated between the two transactions using the proportion of the number of new Shares to be issued to the total number of Shares in issue upon Listing. Since the number of new Shares to be issued represents 25% of the total number of Shares in issue upon Listing, listing expenses that are not clearly separable are allocated to equity and the income statement on a 25:75 proportion.

As a result of the Listing, it is expected that a sum of approximately HK$17.5 million relating to the Listing will be recognised by our Group, of which approximately HK$4.1 million to HK$4.6 million is directly attributable to the issue of new Shares under the Placing and would be accounted for as a deduction from equity, while the remaining balance of approximately HK$12.9 million to HK$13.4 million will be charged to the statements of comprehensive income of our Group, of which approximately HK$7.9 million will be recognised during the year ending 31 March 2015 (i.e. between June 2014 and March 2015).

Our Directors wish to emphasize that the aforesaid amount is a current estimate for reference only and the final amount to be recognised in the equity and the statement of comprehensive income of our Group for the year ending 31 March 2015 is subject to adjustment based on audit and the then changes in variables and assumptions.

DIVIDEND POLICY

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of future dividends will be subject to our Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors that our Directors may consider relevant.

The dividends paid by our Company's subsidiaries to their then respective shareholders in respect of the year ended 31 March 2013 amounted to approximately HK$6,175,000.

No dividend was declared by our Company for the year ended 31 March 2014.

Currently we do not have any predetermined dividend distribution ratio. The historical dividend payment may not be indicative of future dividend trend.

PLACING STATISTICS

	Based on the Placing Price of HK$0.50 per Placing Share	Based on the Placing Price of HK$0.70 per Placing Share
Market capitalisation *(Note 1)*	HK$150 million	HK$210 million
Unaudited pro-forma adjusted consolidated net tangible assets per Share *(Note 2)*	HK$0.17	HK$0.22

Notes:

1. The calculation of market capitalisation at the Placing Price is based on 300,000,000 Shares expected to be in issue immediately following completion of the Placing and the Bonus Issue.

2. The unaudited pro-forma adjusted consolidated net tangible assets per Share is arrived at after the adjustment for the estimated net proceeds from the Placing payable to our Company of approximately HK$26.9 million based on the Placing Price of HK$0.50 per Placing Share and approximately HK$41.5 million based on the Placing Price of HK$0.70 per Placing Share and on the basis that a total of 300,000,000 Shares were in issue (including the Shares in issue as at the date of this prospectus, and those Shares to be issued under the Bonus Issue and the Placing).

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Bonus Issue and the Placing, Genius Idea, which is wholly-owned by Mr. Chan, will be interested in 225,000,000 Shares, representing 75% of the total number of issued Shares of our Company.

RISK FACTORS

We summarise below certain key risk factors involved in our operations which are beyond our control. Prospective investors should refer to all of the risk factors which may affect your investment decision in relation to the Placing as set out under the section headed "Risk factors" on pages 21 to 29 of this prospectus.

Risks relating to the business and operations of our Group

- Our 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 contract and may not be regular

- We face keen competition in our industry in Hong Kong, Singapore and Malaysia

- The duration of our contracts with our customers varies and we rely on a limited number of major customers who do not have long term commitments with us and may terminate their relationships with us

- We determine the contract price and quotation based on estimated time and costs. However, due to factors beyond our control, more time and/or costs may be incurred in the actual implementation of a project and thus affecting our profitability

- We have recorded negative operating cashflow in the past and may therefore expose our Group to liquidity risk

- Our success is dependent on the retention of key management personnel

Risks relating to our industry

- Our business is largely dependent on the global and regional economic environment

- We have to, or procure our sub-contractors to, comply with a number of applicable construction, safety, environmental protection laws, regulations and requirements to perform our business operation

In this prospectus, the following expressions shall have the meanings set out below, unless the context otherwise requires:

"Altus Capital" or the "Sponsor"	Altus Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, appointed as the sponsor to the Listing
"Articles" or "Articles of Association"	the articles of association of our Company, as amended from time to time
"associate(s)"	the meaning ascribed thereto under the GEM Listing Rules
"Board"	the board of Directors
"Bonus Issue"	the bonus issue of 224,999,998 Shares without payment and as fully paid Shares issued by the Company to Genius Idea as referred to in the paragraph headed "Resolutions in writing of the sole Shareholder, Genius Idea, passed on 30 June 2014" in Appendix IV to this prospectus
"Broader C Family"	a class comprising Senior C (an individual and the father of Customer H as described in the paragraph headed "7.2 Our customers" of the section headed "Business" of this prospectus), the descendants of Senior C and entities controlled by them
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"Business Registration Ordinance"	the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China Sourcing"	China Sourcing & Creative Construction Limited, a company incorporated in the BVI with limited liability on 1 September 2010, and wholly-owned by our Company
"Companies (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

"Companies Registry"	the Companies Registry of Hong Kong
"Company"	Kate China Holdings Limited (中持基業控股有限公司), a company incorporated in Hong Kong with limited liability on 29 July 2013
"Connected Person(s)"	has the same meaning ascribed thereto under the GEM Listing Rules
"Controlling Shareholder(s)"	has the same meaning ascribed thereto under the GEM Listing Rules and, in the context of this prospectus, means Mr. Chan and Genius Idea. Details of its shareholding is set forth in the section headed "Relationship with Controlling Shareholders" in this prospectus and the paragraph headed "Disclosure of interests" under the section headed "Further information about Directors, management, and staff" in Appendix IV to this prospectus
"Deed of Indemnity"	the deed of indemnity dated 7 July 2014 and entered into among Mr. Chan, Genius Idea and our Company (for ourself and as trustee for each of our subsidiaries), pursuant to which Mr. Chan and Genius Idea agree to provide our Company with certain indemnities, further details of which are set out in the paragraph headed "Indemnities" under the section headed "Other information" in Appendix IV to this prospectus
"Deed of Non-competition"	a deed of non-competition dated 7 July 2014 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are summarised in the section headed "Relationship with Controlling Shareholders" of this prospectus
"Director(s)"	the director(s) of our Company
"Far East Group"	Far East Consortium International Limited (stock code: 35), a company listed on the Main Board of the Stock Exchange, and its subsidiaries (from time to time and has the meaning ascribed under the Rules Governing the Listing of Securities on the Stock Exchange), an independent third party of our Group
"Forever Smart"	Forever Smart (China) Limited, a company incorporated in Hong Kong with limited liability on 24 March 2011, a wholly-owned subsidiary of our Company indirectly held via China Sourcing and Karlson
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM

"Genius Idea"	Genius Idea Holdings Limited, a company incorporated in the BVI with limited liability on 6 July 2010, whose issued share capital is owned as to 100% by Mr. Chan and whose principal activity is investment holding
"Group", "we", "us" or "our"	our Company together with our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were our subsidiaries at the relevant time
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hotel Sourcing" or "HSI"	Hotel Sourcing International Limited, a company incorporated in Hong Kong with limited liability on 20 February 2006, a wholly-owned subsidiary of our Company indirectly held via China Sourcing
"Hotel Sourcing Singapore" or "HSS"	Hotel Sourcing Singapore Pte. Ltd., a company incorporated in Singapore with limited liability on 29 December 2011, a wholly-owned subsidiary of our Company indirectly held via China Sourcing and Karlson
"Independent Third Party(ies)"	individual(s) or company/(ies) who is/are not connected with (within the meaning of the GEM Listing Rules) any of our Directors, chief executive, Substantial Shareholders, subsidiaries or any of their respective associates
"Internal Control Adviser" or "SHINEWING Risk"	SHINEWING Risk Services Limited, internal control adviser appointed in July 2013 in relation to the Listing
"Joy Excel"	Joy Excel Consultants Limited, a company incorporated in Hong Kong with limited liability on 18 September 2008, a wholly-owned subsidiary of our Company indirectly held via China Sourcing
"Karlson"	Karlson C & C Limited, a company incorporated in Hong Kong with limited liability on 24 May 2004, a wholly-owned subsidiary of our Company indirectly held via China Sourcing
"Latest Practicable Date"	30 June 2014, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Listing"	the proposed listing of the Shares on GEM by way of the Placing

"Listing Date"	the date on which dealings in the Shares first commence on GEM, which is expected to be on or around 18 July 2014
"Metropark Hotel Kowloon"	Metropark Hotel Kowloon, a hotel situated at 75 Waterloo Road, Kowloon, Hong Kong, an Independent Third Party
"Mr. Chan"	Mr. Chan Tat Wah, being the Controlling Shareholder, executive Director and chairman of our Company
"Mr. Fok"	Mr. Fok Chun Kit, the chief executive officer of the Group and an executive Director of our Company
"Mr. Tsang"	Mr. Tsang Kei Cheong, an executive Director of our Company
"New Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) in force with effect from 3 March 2014
"Old Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) in force prior to 3 March 2014
"Placing"	the conditional placing of the Placing Shares by the Underwriter on behalf of our Company at the Placing Price with professional, institutional and other investors in Hong Kong, as further described in the section headed "Structure and conditions of the Placing" of this prospectus
"Placing Price"	the final price per Placing Share which will not be more than HK$0.70 per Placing Share and not less than HK$0.50 per Placing Share (exclusive of brokerage of 1.0%, the SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%), such price to be agreed upon by our Company and the Sole Bookrunner on or before the Price Determination Date at which the Placing Shares are to be subscribed pursuant to the Placing
"Placing Shares"	the 75,000,000 new Shares being offered by our Company for subscription under the Placing
"PRC" or "China"	the People's Republic of China, and for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Price Determination Date"	the date, expected to be on or about 11 July 2014 or such other date as may be agreed between our Company and the Sole Bookrunner on which the Placing Price is fixed for the purpose of the Placing

"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the paragraph headed "Reorganisation" in Appendix IV to this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 30 June 2014, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus
"Sole Bookrunner" or "Underwriter"	Kingston Securities Limited, a corporation licensed by the SFC to carry on type 1 (dealing in securities) regulated activity under the SFO
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed thereto under the GEM Listing Rules
"Substantial Shareholder(s)"	has the same meaning ascribed thereto under the GEM Listing Rules and, in the context of this prospectus
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs
"Track Record Period"	the three years ended 31 March 2014
"Underwriting Agreement"	the underwriting agreement dated 7 July 2014 entered into between our Company, the executive Directors, the Controlling Shareholders, the Sponsor and the Sole Bookrunner relating to the Placing, particulars of which are summarised in the section headed "Underwriting" of this prospectus
"Wealth Trinity"	Wealth Trinity Development Limited, a company incorporated in Hong Kong with limited liability on 31 July 2006, a wholly-owned subsidiary of our Company indirectly held via China Sourcing
"Well Creation"	Well Creation Holdings Limited, a company incorporated in Hong Kong with limited liability on 15 January 2009, a wholly-owned subsidiary of our Company indirectly held via China Sourcing

"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"SG$"	Singapore dollars, the lawful currency of Singapore
"RM$" or "RM"	Malaysian ringgit, the lawful currency of Malaysia
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"sq.ft."	square feet
"sq.m."	square metres
"%"	per cent.

Unless otherwise expressly stated or the context otherwise requires, all data of this prospectus is as at the date of this prospectus.

Certain monetary amount included in this prospectus have been subject to rounding adjustments, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which proceed them.

This glossary contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"CAGR"	compound annual growth rate
"GDP"	real gross domestic product
"High Tariff A"	hotels with a composite score between 3.00 and 3.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
"High Tariff B"	hotels with a composite score between 2.00 and 2.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the second highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
"Medium Tariff"	hotels with a composite score between 1.00 and 1.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the third highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings

This prospectus includes forward-looking statements. All statements of historical facts contained in this prospectus, including, without limitation, words and expressions such as "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" or similar words or statements, in particular, in the sections headed "Business" and "Financial information" of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and our ability to implement such strategies;
- our ability to further develop and manage our design and fitting-out business as planned;
- our dividend distribution plans;
- changes in policies, legislation or regulations in Hong Kong or any other countries or territories in which we operate that may affect our design and fitting out business;
- future developments and competitive environment for the Hong Kong design and fitting-out business;
- changes in economic conditions and competition in the areas in which we operate, including a downturn in the general economy in Hong Kong or any other countries or territories in which we operate;
- exchange rate fluctuations and restrictions;
- catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Sponsor, the Sole Bookrunner, the Underwriter, any other party involved in the Placing or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to those discussed under the section headed "Risk factors" and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements 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. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Placing Shares. You should pay particular attention to the fact that the legal and regulatory environment in which our Group operates may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks and uncertainties. The trading price of the Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

Our Group believes that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised in the following manner:

RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP

Our 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

Our Group's business is project-based. Our Group's projects (being (i) design and fitting-out services and (ii) design and procurement of furnishings and materials services) cover a diversity of properties and during the Track Record Period, the types of properties covered by our projects include hotels, restaurants, private residential properties, commercial offices, retail premises and schools. The development needs of these properties may be affected by different external factors which are beyond our Group's control, such as changes of customer preferences. Accordingly, the revenue mix of our Group generated by the types of projects may vary from time to time.

During the Track Record Period, our Group recorded overall gross profit margin of approximately 20.67%, 39.21% and 26.97% for the year ended 31 March 2012, 2013 and 2014 respectively. More diverse gross profit margin were recorded for individual segment. The gross profit margin of our Group's design and fitting-out services were approximately 20.29%, 37.89% and 24.41% for the year ended 31 March 2012, 2013 and 2014 respectively and the gross profit margin of our Group's design and procurement of furnishings and materials services were approximately 61.42%, 41.27% and 33.39% for the year ended 31 March 2012, 2013 and 2014 respectively. Please refer to the paragraph headed "Gross profit" under the section headed "Financial information" for further details. Fee collection and profit margin significantly depend on various factors, such as the proposed expenditure of the customers, 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 business of our Group is irregular and is subject to various factors beyond the control of our 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 our 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 finance department reviews the status of each project and recognises revenue based on the stage of completion of the contract as measured by reference to contract cost incurred to date, our finance department would review the amount of revenue recognised in earlier stage, and make necessary adjustment accordingly, if any. If the adjustment is material, it may pose material adverse impact to the financial performance of our Group.

We face keen competition in our industry in Hong Kong, Singapore and Malaysia

Our Group competes with other design and fitting-out companies in Hong Kong, and design and procurement of furnishings and materials companies in Hong Kong, Singapore and Malaysia. In order to survive, market participants have to, not only come up with new creative designs and skills, but also cut their prices and sacrifice their profit in order to successfully secure projects. In addition, we believe that the entrance barrier to our business is low and accordingly we may face keen competition in the future if there are new comers who are able to offer services of higher quality at lower prices. If we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be materially and adversely affected.

The duration of our contracts with our customers varies and we rely on a limited number of major customers who do not have long term commitments with us and may terminate their relationships with us

Customer A was the largest customer of our Groups accounting for approximately 75.50%, 48.11% and 29.23% of our total revenue for the three years ended 31 March 2012, 2013 and 2014 respectively. Customer H, an individual, is a member of the Broader C Family. Customer H is the controlling shareholder, chairman, chief executive officer and executive director of the holding company of Customer A and, to the best of our Directors' knowledge, majority owns Customer E which is a private company. Given the aforesaid relationships among certain top customers of our Group, the revenue contributed by the Broader C Family during the Track Record Period amounted to approximately 83.09%, 50.18% and 53.02% of the total revenue of our Group respectively. Revenue derived from our five largest customers amounted to approximately 95.00%, 96.24% and 87.80% of our total revenue for the year ended 31 March 2012, 2013 and 2014 respectively.

Our results will continue to depend on (i) our ability to continue to secure projects from our customers, (ii) the financial condition and commercial success of our customers and (iii) factors that affect the Hong Kong economy in general. The duration of our projects undertaken by us varies and we cannot guarantee that our customers will provide us with new business after completion of the current projects. In particular, we cannot assure that we will be able to maintain or improve our relationships with our major customers and any of them may terminate their respective relationships with us as they do not have long term commitments with us. Any delay or decrease in number or contract value of projects obtained from our customers could have an adverse effect on our operations and profits. In addition, there is no assurance that we can diversify our customer portfolio.

We determine the contract price and quotation based on estimated time and costs. However, due to factors beyond our control, more time and/or costs may be incurred in the actual implementation of a project and thus affecting our profitability

Factors such as shortage and cost escalation of materials and labour, additional variations to the plans requested by our customers or because of technical needs, disputes with sub-contractors, accidents and other unforeseen problems and circumstances may affect the time taken and the costs actually involved in completing our projects. Any one of the above factors may give rise to delays in completion of works or costs overruns or even unilateral termination of projects by our customers.

There is no assurance that our customers will pay our progress payment on time and in full, or that retention money is fully released to us after project completion or the expiry of any defect liability period.

For certain projects, we receive progress payment from our customers based on progress of completion. A portion of contract value, representing approximately 5% to 10%, may be withheld by our customers as retention money which will generally be released after project completion or the expiry of any defect liability period. There can be no assurance that progress payment or retention money is paid to us on time and in full. Any failure by our customers to pay us on time and in full may have an adverse effect on our future liquidity position.

We have recorded negative operating cashflow in the past and may therefore expose our Group to liquidity risk

During the Track Record Period, our Group recorded net cash used in operating activities of approximately HK$2.8 million for the year ended 31 March 2012, net cash from operating activities of approximately HK$17.6 million for the year ended 31 March 2013, and net cash used in operating activities of approximately HK$9.6 million for the year ended 31 March 2014. For details, please refer to the paragraph headed "Liquidity and capital resources" under the section headed "Financial information" of this prospectus.

Given our Group's business is project-based, the net operating cashflow position was mainly attributable to the completion stage and billing stage of various projects which affect the amount of revenue and trade receivables to be recognised respectively. A concentration of projects in the stage of billing at a certain point in time will result in an increase of trade receivables. For the year ended 31 March 2014, the operating cash flow was further impacted by the listing expense incurred. As such, our Group is exposed to the fluctuation of operating cashflow position and it may have an adverse effect on our future liquidity position.

We depend on our sub-contractors to complete our projects and to implement measures or procedures during the execution of our projects.

In the course of our operations, we engage sub-contractors to provide certain services or manpower. We have established a system with respect to the selection and control of sub-contractors, including maintaining an updated list of sub-contractors by placing purchase orders to them to set forth each party's rights and obligations. However, there is no assurance that we will be able to monitor the performance of these sub-contractors as directly and efficiently as with our own staff.

In addition, suitable sub-contractors may not always be readily available when we require their service. For any given project, workers from different trades with different skills may be required. There is no assurance that the supply of labour will always be stable. Our ability to complete projects could be impaired if we are unable to hire suitable sub-contractors or our sub-contractors fail to recruit sufficient labour in a timely manner to cope with the demand of our projects. If a sub-contractor fails to provide services as required under a contract, we may need to source these services on a delayed basis or at a higher price than anticipated, which may have adverse impact on contract profitability. If the performance of a sub-contractor does not meet our standards, the quality of the project may be affected, which could harm our reputation and expose us to litigation and damage claims.

In addition, industrial action or strike of any one trade will also affect the progress of our projects. In the event of the occurrence of any industrial actions or strike, such as those demanding for higher wages or shorter working hours, our profitability and results of operations may be adversely affected.

Failure to implement control measures on sites may lead to breach of laws or occurrence of personal injuries, property damages or fatal accidents

To the best of our ability, we require our sub-contractors to abide by and implement all relevant safety laws, rules, regulations, measures and procedures in the operation of our projects. However, there is no assurance that our sub-contractors will not violate any laws, rules, regulations, measures or procedures including those in relation to health and safety matters. In the event that any such violation occurs in the sites for which we are responsible, we may expose ourselves to prosecutions by relevant authorities and may be liable to claims for losses and damages. As a result, our operations and financial position may be adversely affected to the extent not covered by insurance.

Risk of enforcement on the previous non-compliance with the Business Registration Ordinance

Certain subsidiaries of our Group were involved in non-compliance incidents set out in paragraphs 17.1 to 17.6 of the section headed "Business" in this prospectus. In respect of our Group's previous failures to notify the Inland Revenue Department about changes in nature of business (details of which are set out in paragraph 17.5 of the section headed "Business"), such failures are not capable of being rectified, and are still within the statutory limitation period. It is therefore open for the law enforcement agencies to initiate legal action against our relevant subsidiaries and/or the relevant directors, secretaries and managers. A fine of up to HK$5,000 or custodial sentence up to 1 year may be imposed against our subsidiaries, and the relevant directors, secretaries and managers of these subsidiaries (including two of our executive Directors). In the event that a custodial sentence being imposed on our executive Directors, our Group's operation may be adversely affected.

Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation. The insurance premium payable by our Group may be increased

Although most of the time we are not the main contractor of the construction project, we may receive claims in respect of various matters from our customers, 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 will be materially and adversely affected.

Our Group may not be able to continue to create appealing designs

We believe that the success of our Group depends largely on the ability to constantly come up with creative designs, keep abreast of market trends and react promptly to changing customer preference and demand. As a result, a team of skillful and creative staff is essential. There can be no assurance that our Group will be able to continue to come up with appealing, innovate designs to successfully meet customer preference and demands in the future. This could adversely affect the prospects of our Group's business.

Our success is dependent on the retention of key management personnel

Our success and growth has largely been attributed to the contributions and experiences of our key management personnel and, in particular, their familiarity with our Group's culture and business. The executive Directors and most of the senior management have had a long history of working with our customers, sub-contractors and materials suppliers and understand their needs and requirements. Competition for such personnel is intense, any failure to recruit and retain the necessary management personnel at any time could harm our business and prospects.

We may not be able to operate successfully in overseas markets and may be impacted by foreign currency risk

We are exploring business opportunities in selected markets outside Hong Kong such as Singapore and Malaysia. These overseas markets are new to us and we face various kinds of risks in the expansion of business in such new markets which include, among other things, differences in general business environment, legal and regulatory requirements, payment practice, potentially adverse tax consequences, competition within the local market, fluctuations in currency exchange rates, and changes in political and economic conditions. There is no assurance that we will be able to operate successfully in such overseas markets, and the deployment of human and financial resources in pursuit of such plans outside Hong Kong may have a material and adverse impact on us. Our Group currently does not have a foreign currency hedging policy and our financial result may be impacted as illustrated in note 6(b)(i) of Appendix I to this prospectus.

Risk of uncertainties of our future plan

The future plan of our Group as described in the section headed "Future plans and use of proceeds" of this prospectus is based on current intentions and assumptions. The future execution may be subject to capital investment and human resources constraints. Furthermore, our expansion plan may also be hindered by other factors beyond our control, such as the general market conditions, the economic and political environment of Hong Kong, the PRC, Singapore, Malaysia and the world. Therefore, our expansion plan may not materialise in accordance with the timetable or at all.

RISKS RELATING TO OUR INDUSTRY

Our business is largely dependent on the global and regional economic environment

During each year of the Track Record Period, more than 77.68% of our revenue was derived in Hong Kong. Our Directors anticipate that revenues generated from our service provided in Hong Kong will continue to be our main revenue stream in the near future. In addition, our Group has recently extended its market coverage to Singapore and Malaysia.

If Hong Kong, Singapore or Malaysia experiences a slow-down in its respective economy, and/or there is a slow-down of the economic and political developments in the PRC, and/or there is a global recession, and/or there are regulatory changes, including changes to the Individual Visit Scheme, visa requirements or other restrictions imposed on foreign tourists traveling to Hong Kong by either the Hong Kong government or other governments there may have a significant and/or prolonged impact on travel to Hong Kong. The demand for interior design and fitting-out projects by property developers, retail shop operators, home owners and hotel owners in Hong Kong, Singapore and Malaysia may decrease significantly, which might affect the business and financial condition of our Group.

We have to, or procure our sub-contractors to, comply with a number of applicable construction, safety, environmental protection laws, regulations and requirements to perform our business operation

In order to perform our business operation, we have to, or procure our sub-contractors to, comply with a number of construction, safety, building and environmental protection laws, regulations and requirements in Hong Kong, Singapore and Malaysia. In the event that we or 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 our Group. In addition, there is no assurance that the construction, safety, environmental protection laws, regulations and requirements will not be changed in the future. Should there be any change to the construction, safety, environmental protection laws, regulations and requirements applicable to us or our sub-contractors, 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 our Group.

RISKS RELATING TO HONG KONG

The state of the economy in Hong Kong

Our performance and financial condition is heavily dependent on the state of the economy in Hong Kong as our revenue attributable to the Hong Kong market accounted for approximately 100.00%, 83.67% and 77.68% of our Group's total revenue for the years ended 31 March 2012, 2013 and 2014 respectively. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial position may be severely affected.

The state of the political environment in Hong Kong

Hong Kong is a special administrative region of the PRC and is entitled to enjoy a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Hong Kong. However, we are 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 PLACING

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 Placing, no public market for the Shares existed. The Placing Price was the result of negotiations between the Company and the Sole Bookrunner. The market price for the Shares may differ significantly with the Placing Price following the Placing. While we have made an application to GEM of the Stock Exchange for the Listing, there is no assurance that a listing on GEM of the Stock Exchange will result in the development of an active and liquid public trading market for the Shares after the Placing. In addition, the price and trading volume of the Shares may be volatile since factors such as variations in our revenue, earnings and cash flows or any other developments may affect the volume and price at which the Shares will be traded. There is no assurance that such variations will or will not occur.

Investors may experience dilution if we issue additional Shares or other securities in the future

We may require additional funds in the future to finance the expansion of the business and operations of our Group. If additional funds are raised through the issue of new Shares or other equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted.

Sale of Shares by existing Shareholders may adversely affect the prevailing market price of the Shares

The Shares held by our Controlling Shareholders are subject to lock-up undertakings for periods up to 12 months after the Listing Date. While we are not aware of any intention of our Controlling Shareholders to dispose of their Shares, we cannot give any assurance that they will not dispose of the Shares they may own now or in the future. The disposal of a substantial amount of Shares by any substantial Shareholder(s) or the market perception that such sale may occur may negatively impact the prevailing market price of the Shares.

Historical dividends are not indicative of future dividends

The dividends paid by our Company's subsidiaries to their then shareholders in respect of the year ended 31 March 2013 amounted to approximately HK$6,175,000. No dividend has been declared by any of the subsidiaries of our Group for the two years ended 31 March 2012 and 2014. 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 our 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 our Board, having considered factors including our earnings, financial condition, cash requirements, applicable laws and other relevant factors.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus contains certain facts, forecasts and other statistics that have been extracted from government official sources and publications or other sources which we believe to be reliable and appropriate for such statistics and facts. We have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not been independently verified by us, the Sponsor, the Sole Bookrunner, the Underwriter, any of their respective affiliates or advisers or any other party involved in the Placing. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, such statistics and facts may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. We, the Sponsor, the Sole Bookrunner, the Underwriter, any of their respective affiliates or advisers or any other party involved in the Placing make no representation as to the accuracy or completeness of these statistics and facts. Potential investors should not place undue reliance on any of such statistics and facts contained in this prospectus.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements.

Investor should read the entire prospectus carefully and should not rely on any information contained in press articles and/or other media coverage regarding us and the Placing

Prior to the publication of this prospectus, and possibly subsequent to the date of this prospectus but prior to the completion of the Placing, there might have been press articles and/or media coverage regarding us and the Placing, which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. Such information might not be sourced from or authoriseid by us or any other person involved in the Placing. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any other information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the New Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

Copies of this prospectus required by the GEM Listing Rules and the New Companies Ordinance are available, for information purpose only, at the office of the Sole Bookrunner at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong during normal office hours from 9:00 a.m. to 5:00 p.m. from 8 July 2014 to 11 July 2014 (both dates inclusive).

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Placing for which Kingston Securities Limited is the Sole Bookrunner. The Placing Shares will be fully underwritten by the Underwriter pursuant to the Underwriting Agreement subject to the Placing Price being fixed by agreement between our Company and the Sole Bookrunner on the Price Determination Date. For further information about the underwriting arrangement, please refer to the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SALE OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his/her/its acquisition of the Placing Shares to have confirmed that he/she/it is aware of the restrictions on the placing of the Placing Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a placing or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Underwriter, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing.

STRUCTURE AND CONDITIONS OF THE PLACING

Further details of the structure and conditions of the Placing are set out in the section headed "Structure and conditions of the Placing" of this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Bonus Issue and the Placing (including Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Placing and the Bonus Issue). No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Under section 44B(1) of the Companies (Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void. The Shares are freely transferable.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the "minimum prescribed percentage" of 25% or such applicable percentage of the total number of Share in issue of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on 18 July 2014. Shares will be traded in board lots of 4,000 each. The stock code for the Shares is 8125. Our Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second Business Day following the transaction date. Only certificates for Shares registered on the Hong Kong register of members of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Placing Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sponsor, the Sole Bookrunner, the Underwriter, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Placing Shares.

STAMP DUTY

All the Shares will be registered on the register of members of our Company in Hong Kong. Dealings in the Shares will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please refer to the paragraph headed "Taxation of holders of Shares" under the section headed "Other information" in Appendix IV to this prospectus.

Unless our Company determines otherwise, dividends payable in Hong Kong dollars in respect of the Shares will be paid at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first named holder.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi and/or Singapore dollar and/or Malaysian ringgit amounts into Hong Kong dollar amounts or vice versa at specified rates. You should not construe these translations as representations that Renminbi, Singapore dollar and/or Malaysian ringgit amounts could actually be converted into Hong Kong dollar amounts or vice versa at the rates indicated or at all. For the purpose of this prospectus, unless we indicate otherwise, the translation of Renminbi amounts into Hong Kong dollar amounts have been made at the rate of RMB1.00 to HK$1.28, the translation of Singapore dollar amounts into Hong Kong dollar amounts have been made at the rate of SG$1.00 to HK$6.13 and the translation of Malaysia ringgit amounts into Hong Kong dollar amounts have been made at the rate of RM$1.00 to HK$2.36.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Chan Tat Wah *(Chairman)* 陳達華	House J10 Ho Chung Marina Cove Sai Kung New Territories Hong Kong	Chinese
Fok Chun Kit *(Chief Executive Officer)* 霍俊傑	Room 6, 31/F Ka Yee House Ka Tin Court Shatin New Territories Hong Kong	Chinese
Tsang Kei Cheong 曾紀昌	Flat C, 29/F Block 2 Maritime Bay 18 Pui Shing Street Tseung Kwan O New Territories Hong Kong	Chinese
Independent non-executive Directors		
Lam Yiu Kin 林耀堅	House B, Louisette 20 Stanley Beach Road Stanley Hong Kong	Chinese
Lu Tak Ming 盧德明	Flat B, 7/F Block 4 Beverley Heights 56 Cloudview Road North Point Hong Kong	Chinese
Lai Kin Keung 黎建強	Flat D, 13/F, Block 7 Peridot Court 9 Yu Chui Street Tuen Mun New Territories Hong Kong	British

For further information, please refer to the section headed “Directors, senior management and employees”.

PARTIES INVOLVED

Sponsor	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong
Sole Bookrunner and Underwriter	**Kingston Securities Limited** Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong
Legal advisers to our Company	*as to Hong Kong law* **David Lo & Partners** Suite 2101, Nine Queen's Road Central Hong Kong *as to Singapore law* **Derrick Wong & Lim BC LLP** 133 New Bridge Road #13-01 #16-06, #16-10 Chinatown Point Singapore 059413 *as to Malaysia law* **Amin, Wern Li & Associates** Fraser Business Park 50-3A, Jalan Metro Pudu Off JalanYew 55100 Kuala Lumpur Malaysia
Legal advisers to the Sponsor, the Sole Bookrunner and Underwriter	*as to Hong Kong law* **Howse Williams Bowers** 27/F Alexandra House 18 Chater Road Central Hong Kong
Auditors and reporting accountants	**SHINEWING (HK) CPA Limited** Certified Public Accountants 43rd Floor The Lee Gardens 33 Hysan Avenue Causeway Bay, Hong Kong
Internal control adviser	**SHINEWING Risk Services Limited** 43rd Floor The Lee Gardens 33 Hysan Avenue Causeway Bay, Hong Kong

Headquarter, registered office and principal place of business	Unit A, 10/F Tontex Industrial Building No. 2-4 Sheung Hei Street San Po Kong Kowloon Hong Kong
Company secretary	Lam Yuen Ling Eva *(ACS, ACIS)* 4A, K.C.C. Building 2 Liberty Avenue Homantin Kowloon Hong Kong
Compliance officer	Chan Tat Wah
Authorised representatives	Chan Tat Wah House J10 Ho Chung Marina Cove Sai Kung New Territories Hong Kong Fok Chun Kit Room 6, 31/F Ka Yee House Ka Tin Court Shatin New Territories Hong Kong
Audit committee	Lam Yiu Kin *(Chairman)* Lu Tak Ming Lai Kin Keung
Nomination committee	Lai Kin Keung *(Chairman)* Lam Yiu Kin Lu Tak Ming
Remuneration committee	Lu Tak Ming *(Chairman)* Lam Yiu Kin Lai Kin Keung
Compliance committee	Lam Yiu Kin *(Chairman)* Lu Tak Ming Lai Kin Keung

CORPORATE INFORMATION

Hong Kong share registrar	**Union Registrars Limited** 18/F, Fook Lee Commerical Centre Town Place 33 Lockhart Road Wanchai Hong Kong
Compliance adviser	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong
Principal bankers	**Hang Seng Bank** 83 Des Voeux Road Central Hong Kong **Shanghai Commercial Bank** 35/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Company's website	*www.katechina.hk* *(Note: contents in this website do not form part of this prospectus)*

Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various government official publications. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from these official government sources, such facts and statistics have not been independently verified by our Company, the Sponsor, the Sole Bookrunner, the Underwriter, their respective affiliates, directors and advisers or any other parties involved in the Placing, and none of them makes any representation as to the accuracy or completeness of such information which may not be consistent with other information available and may not be accurate and should not be unduly relied upon.

In this section, information regarding the relevant industries has been recited or extracted from certain articles, reports or publications which are generally and/or publicly available, and their preparations were not commissioned nor funded by us or the Sponsor. Geographical regions appeared in this section shall have the same meanings as used in the respective sources from which the corresponding information has been recited or extracted.

INTRODUCTION

Our Group is principally engaged in the provision of (i) design and fitting-out services in Hong Kong and (ii) design and procurement of furnishings and materials services in Hong Kong, Singapore and Malaysia. Our Group's business covers a diversity of industries during the Track Record Period. Our projects included hotels, restaurants, private residential units, commercial and retail premises and schools. Our Directors believe that it is therefore difficult to present an industry overview that accurately and fairly addresses all the specific markets that our Group operates in. Thus, our Directors believe and the Sponsor concurs that it is only appropriate to present the overview of the hospitality industry that influences our business the most. On the other hand, since a significant portion of the total cost of sales is comprised of materials suppliers and sub-contractors costs, we believe the price of final products and the cost of labour that our materials suppliers and sub-contractors employ can greatly affect the cost of sales of our business, and we therefore present the price trend of these two components of our project costs in this section.

COMPETITIVE LANDSCAPE

Our Directors consider that the markets of (i) design and fitting-out services and (ii) design and procurement of furnishings and materials services are highly fragmented as well as extremely competitive. According to the section headed "Regulatory environment" of this prospectus, it appears that since the industry is not heavily regulated in the regions where we conduct business, namely Hong Kong, Singapore and Malaysia, our Directors consider that the entrance barrier is considered to be low.

As described in the section headed "Regulatory environment" of this prospectus, the Hong Kong Government has adopted the Building (Minor Works) Regulation to provide a simplified procedure and requirements to regulate building works which have been classified as "minor works" in Hong Kong. If a project involves "minor works" as classified as such under the Building (Minor Works) Regulation, a service provider is required to be registered as a minor works contractor for the relevant type of minor works involved in the project. As at the Latest Practicable Date, there were over 10,000 corporate registered minor works contractors in Hong Kong. Although we are a registered minor works contractor, not all our projects involve "minor works" and our competitors are not limited to those that are registered as such. As advised by our legal advisers in Singapore, it is not necessary for us to have any license, consent, authorisation, approval, orders, certificates or permits to conduct our furniture sourcing and installation business, including but not limited to the import and export of furniture. Our legal advisers in Malaysia advised that, for the services that we provide indirectly via our sub-contractors, our Group is not required to be registered with or obtain any approval from any governmental bodies in Malaysia.

On the basis that there are only a few government regulations for our type of business and the relatively low entrance barrier, our Directors believe that these markets are mainly driven by customer demand with intense price competition. Such intense price competition is the result of nature of the minor works construction market, where a variety of competitors can be found, ranging from sole proprietor and small business construction and design companies to large scale professional construction companies. Our Directors believe that the barrier for new entrants to the industry is very similar to those of existing service providers, save that the existing service providers have already gained access to customers, sub-contractors and materials suppliers, and more importantly accumulated experience. We also believe that the large variety of service providers compete with each other on various aspects, such as price, quality, skills and project delivery time.

To the best knowledge of our Directors, there is no recognised professional association in the industry of design and fitting-out services nor in the industry of design and procurement of furnishings and materials services, and there are many service providers in these markets. As a result of the lack of official industry statistics, we are unable to quantify the number of projects in these markets and hence our corresponding market share and position in the industry, and those of our competitors.

Due to the reasons stated above, our Directors believe that the competition in the industry has been fierce in the past years. We expect that, without new government regulations enforcement, these conditions will continue in the foreseeable future. Nevertheless, we believe that we have proved to be able to withstand these conditions due to our competitive strengths as illustrated under the paragraph headed "Competitive strengths" in the section headed "Business" of this prospectus.

HONG KONG MARKET

General overview

According to the statistics published by the Census and Statistics Department of Hong Kong, from 2008 to 2013, the GDP in real terms of Hong Kong increased from approximately HK$1,838.2 billion to approximately HK$2,096.8 billion, representing a CAGR of approximately 2.7%. Despite experiencing a slowdown during the early years of the global financial crisis in 2007 and 2008, the Hong Kong economy remained resilient as its GDP recovered by 2010 and recorded a year-on-year growth of approximately 6.8%. The trend of recovery continued as shown by the year-on-year GDP growth of Hong Kong of approximately 4.8% in 2011 and approximately 1.5% in 2012. In 2013, the year-on-year GDP growth of approximately 2.9% was recorded. The following table illustrates the GDP of Hong Kong and the respective year-on-year growth rates from 2008 to 2013.

	2008	2009	2010	2011	2012	2013
Real GDP in chained (2012) dollars (HK$ billion)	1,838.2	1,793.0	1,914.4	2,006.0	2,037.1	2,096.8
Year-on-year growth (%)	2.1	-2.5	6.8	4.8	1.5	2.9

Source: Census and Statistics Department, Hong Kong

Tourism industry in Hong Kong

Tourism is an important pillar of the economy of Hong Kong. The strong performance of the tourism industry in recent years was mainly attributed to the increase of tourists. The following table outlines the summary of overnight visitors arrivals in Hong Kong from 2008 to 2013:

	2008	**2009**	**2010**	**2011**	**2012**	**2013**
	'000	*'000*	*'000*	*'000*	*'000*	*'000*
International (exclude South & South East Asia *(Note)*)	5,736.1	5,109.7	5,784.8	5,925.3	5,948.7	5,762.8
South & Southeast Asia *(Note)*	2,203.7	2,152.8	2,622.3	2,791.0	2,711.1	2,808.8
Mainland China	9,379.7	9,663.6	11,678.1	13,599.8	15,110.4	17,089.5

Note: South & Southeast Asia includes Indonesia, Malaysia, Philippines, Singapore, Thailand and others

Source: Hong Kong Tourism Board

According to the Hong Kong Tourism Board, the number of tourists that visited overnight from 2008 to 2013 remained stable while overnight tourist from mainland China shows otherwise. The recovery of the overnight visitor arrivals from mainland China, after the global financial crisis in 2008, has been steady, showing an explosive recovery of more than 20% in 2010 and a steady continuation of double digit growth between 2010 and 2013.

The growth of the Hong Kong tourism market has been facilitated by a number of drivers which includes close proximity to mainland China, infrastructure developments, emergence of a wealthier population in mainland China and development of touristic sites in Hong Kong:

Close proximity to the PRC and the Individual Visit Scheme

Hong Kong shares a border with China's populous and wealthy Guangdong Province and is accessible by air from most major cities in mainland China. The relatively easy access from major cities in mainland China facilitates Hong Kong's development as a popular holiday destination in the region.

The Individual Visit Scheme, which was introduced in July 2003, allows PRC citizens from certain cities to visit Hong Kong on an individual basis. The scheme initially covered four cities in Guangdong Province and has since then expanded to 49 cities in mainland China as at the Latest Practicable Date. Currently, mainland residents in the 49 cities with permanent household registration are eligible to apply for the relevant exit endorsement from the mainland authorities.

Infrastructure developments

Improved transportation to and from Hong Kong will continue to contribute to the growth of the tourism industry. A number of infrastructure projects, such as the Hong Kong-Zhuhai-Macau bridge project, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the expansion of Hong Kong International Airport, are at various stages of planning and development:

- According to the Highways Department, The Hong Kong-Zhuhai-Macau bridge project comprises of a series of bridges and tunnels that will connect Hong Kong, Macau and Zhuhai, the three major cities on the Pearl River Delta in East Asia. The project is expected to be completed in this decade. The travelling times between Hong Kong and Zhuhai or Macau will reduce to approximately 45 minutes.

- The Guangzhou-Shenzhen-Hong Kong Express Rail Link is a high speed railway link that will connect Kowloon, Hong Kong in the South and Panyu, Guangzhou, Guangdong in the North. The expected travel time from West Kowloon Terminus in Kowloon to Guangzhou South Railway Station in Shibi, Guangzhou will be 48 minutes.

- The expansion of Hong Kong International Airport into a three-runway system, which is under planning, will enable Hong Kong International Airport to accommodate about 620,000 flight movements per year. Compared with the existing two-runway system which has a practical maximum runway capacity about 420,000 flight movements annually, there will be a potential increase of about 47.6% in traffic flow.

Emergence of a wealthier population in the PRC

According to the PRC National Statistics Bureau, the PRC's GDP increased from approximately RMB47,310 billion in 2011 to approximately RMB51,894 billion in 2012, which represented a year-on-year growth of approximately 9.7%. Along with the strong growth in GDP, China's GDP per capita has also experienced substantial growth, from approximately RMB23,708 in 2008 to approximately RMB38,420 in 2012, representing a CAGR of approximately 12.8%. The following table illustrates the historical growth of the PRC's GDP and GDP per capita from 2008 to 2012:

	2008	**2009**	**2010**	**2011**	**2012**
GDP (RMB billion)	31,405	34,090	40,151	47,310	51,947
GDP per capita (RMB)	23,708	25,608	30,015	35,198	38,420

Source: National Bureau of Statistics of China

Development of tourist attractions in Hong Kong

According to the 2013-14 Budget of Hong Kong, several major tourist attractions of Hong Kong such as Ocean Park and Hong Kong Disneyland will be further developed. To enhance its existing facilities, Ocean Park will construct an all-weather Water World while Hong Kong Disneyland will launch a new night-time parade and put in place a themed area featuring "Marvel heroes".

In addition to these developments, according to the Commerce and Economic Development Bureau, there is the initiative to develop Hong Kong as a leading regional cruise hub, underpinned by the development of the ocean cruise terminal on the former runway of the former Hong Kong airport, Kai Tak. The first berth was opened in June 2013 and the second berth is planned to open in July 2014 expanding the capacity of cruise ship berths in Hong Kong harbour. Furthermore, there is the further development of the Aberdeen tourism project, which improves attractions and facilities in the popular Aberdeen area. Among the approved plans are the developments of the Aberdeen Promenade Viewing Deck and the Ap Lei Chau promenade which are to be completed between 2012 and 2014. This tourism area will be further unlocked by the development of the MTR South Island Line to be completed in the next few years.

Given the above potential developments, it is expected that Hong Kong will attract more visitors in the years to come. It is therefore expected that this influx of visitors will continue to increase the demand for tourist accommodations, such as hotel rooms, restaurants and shops.

Hospitality industry in Hong Kong

Hotel supply trend

With the increase in the number of visitors, demand for hotel rooms in Hong Kong has also increased over the years. Set out below is a table outlining the supply of hotels and hotel rooms in Hong Kong from 2008 to 2013:

		2008	**2009**	**2010**	**2011**	**2012**	**2013**
High Tariff A	Hotels	24	27	29	32	34	34
	Rooms	13,570	15,116	16,052	17,181	17,522	17,522
High Tariff B	Hotels	48	55	58	69	73	83
	Rooms	18,468	21,638	21,432	24,315	25,258	26,999
Medium Tariff	Hotels	66	71	72	78	84	88
	Rooms	16,735	17,342	17,591	17,072	19,566	20,048

Source: Hong Kong Tourism Board

There has been a steady increase in the number of hotels in Hong Kong from 2008 to 2013. According to the Hong Kong Tourism Board, the number of High Tariff A, High Tariff B and Medium Tariff hotels increased from 24, 48 and 66 in 2008 to 34, 83, and 88 in 2013, representing a growth of approximately 41.7%, 72.9% and 33.3% respectively.

Although the Hong Kong Tourism Board does not publish the list of hotels that falls under the categories of High Tariff A, High Tariff B and Medium Tariff, our Directors believe that the general market trend for the hospitality industry shows the blooming will continue and the demand for hotels is expected to give an encouragingly upward trend.

New hotel supply in Hong Kong

Based on the Hong Kong Tourism Board, there will be 36 new hotels opening from 2014 to 2019, which is expected to propel the demand for interior design and fitting-out services. The table below illustrates the estimated total number of hotels and hotel rooms available from 2014 to 2019:

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Number of hotels	250	263	277	284	285	286
Number of rooms	73,436	75,041	77,559	80,079	80,826	80,898

Source: Hong Kong Tourism Board

Prospects of the interior design and fitting-out services industry in Hong Kong

Hong Kong as an international finance centre, conventions and tourist destination and business hub, will continue to drive the future growth for the demand of tourism in Hong Kong, such as hotels, commercial and retail premises. Be it new hotels or existing hotels, renovations and upgrading of hotel rooms and related facilities are required by demand since it is important for the hotel owners or operators to maintain the quality and brand image of the hotel owners or operators.

SINGAPORE MARKET

General overview

According to the statistics published by the Singapore Department of Statistics, from 2008 to 2013, the GDP of Singapore increased from approximately SG$272.0 billion (equivalent to approximately HK$1,682.9 billion) to approximately SG$372.8 billion (equivalent to approximately HK$2,306.5 billion), representing a CAGR of approximately 6.51%. Despite experiencing a slowdown during the global financial crisis in 2008, the Singapore economy remained resilient as its GDP recovered by 2010 and recorded a year-on-year growth of approximately 15.19%. The trend of recovery continued as shown by the year-on-year GDP growth of Singapore of approximately 6.93% in 2011, approximately 4.01% in 2012 and approximately 3.98% in 2013. The following table illustrates the GDP of Singapore and the respective year-on-year growth rates from 2008 to 2013.

GDP of Singapore from 2008 to 2013

	2008	2009	2010	2011	2012	2013
GDP at current prices (SG$ million)	271,980.4	279,858.0	322,361.1	344,712.4	358,542.6	372,813.9
Year on year growth (%)	0.27	2.90	15.19	6.93	4.01	3.98

Source: Singapore Department of Statistics

Tourism industry in Singapore

The following tables outline the international visitor arrivals and tourism receipts in Singapore from 2008 to 2013:

	2008	2009	2010	2011	2012	2013
International visitor arrivals (million)	10.1	9.7	11.6	13.2	14.5	15.6
Tourism receipts (SG$ billion)	15.5	12.6	18.9	22.3	23.1	23.5

Source: Singapore Tourism Board Annual Report on Statistics 2012 and 2013 Highlights

Tourism receipts for 2013 showed a 2% year-on-year growth and resulted to SG$23.5 billion (equivalent to approximately HK$144.1 billion). The International Visitor Arrivals showed a 7% year-on-year growth, resulting in approximately 15.6 million visitors in 2013. Over the six years ended 31 December 2013, the growth in both tourism receipts as well as international visitor arrivals has been stable with an exception of the year 2009 due to the economic meltdown.

Hospitality industry in Singapore

Hotel supply and trend

The following table outlines the number of available room nights and standard average occupancy rate of gazetted hotels in Singapore from 2008 to 2012:

	2008	**2009**	**2010**	**2011**	**2012**
Number of gazetted hotels	109	120	154	162	178
Available room nights ('000)	10,588.5	10,874.8	11,262.0	12,377.9	12,450.9
Standard Average Occupancy Rate	81.0%	75.8%	85.2%	86.4%	86.5%

Source: Singapore Tourism Board Annual Report on Statistics 2012

As outlined in the table above, from 2008 to 2012, the number of hotels and the available rooms night in Singapore have shown a steady increase. The table also shows that as the number of available hotels and rooms increased, the occupancy rate remained steady reflecting the continuous growth of the tourism industry in Singapore.

MALAYSIA MARKET

General overview

According to the statistics published by the Department of Statistics Malaysia, from 2008 to 2013, the GDP of Malaysia increased from RM769,949 million (equivalent to approximately HK$1,859,049 million) to RM986,733 million (equivalent to approximately HK$2,382,477 million), representing a CAGR of approximately 5.1%. Despite experiencing a slowdown during the global financial crisis in 2008, Malaysia's economy remained resilient as its GDP recovered by 2010 and recorded a year-on-year growth of 11.8%. The trend of recovery continued as shown by the year-on-year GDP growth of Malaysia of 11.0% in 2011, 6.4% in 2012 and 4.8% in 2013. The table below illustrates the GDP of Malaysia and the respective year-on-year growth rates from 2008 to 2013.

GDP of Malaysia from 2008 to 2013 at current prices

	2008	**2009**	**2010**	**2011**	**2012**	**2013**
GDP (RM million)	769,949	712,857	797,327	885,339	941,949	986,733
Year on year growth (%)	15.7%	-7.4%	11.8%	11.0%	6.4%	4.8%

Source: Department of Statistics Malaysia

Tourism industry in Malaysia

Based on these statistics, there is a consistent positive growth in both inbound and domestic tourism expenditure for the period of 2008 to 2013. The total tourist expenditure increased to RM$65.4 billion (equivalent to approximately HK$154.3 million) in 2013 from RM$60.6 billion (equivalent to approximately HK$143.0 million) in 2012. Along with the increase of tourist expenditure, the year-on-year growth percentage increased from 3.95% in 2012 to 7.99% in 2013. Meanwhile, the number of inbound visitors to Malaysia in 2012 recorded 25.03 million, a slight increase from 24.71 million in 2011.

The following tables illustrate the tourist arrivals and tourist expenditure in Malaysia from 2008 to 2013:

Tourist arrivals and expenditure in Malaysia 2008 to 2013

	2008	2009	2010	2011	2012	2013
Tourist arrivals (RM$ million)	22.05	23.65	24.58	24.71	25.03	25.72
Tourist expenditure (RM$ billion)	49.6	53.4	56.5	58.3	60.6	65.44

Source: Tourism Malaysia

Tourism expenditure by accommodation services 2008 to 2012

	2008	2009	2010	2011	2012
Inbound tourism (RM$ billion)	15.5	16.6	17.3	18.0	18.7
Domestic tourism (RM$ billion)	2.6	2.7	3.3	4.0	4.5
	18.1	19.2	20.7	22.0	23.2

Source: *Malaysia Tourism Satellite Account 2005-2012*

Total tourism expenditure by accommodation services (excluding outbound tourism expenditure) increased from RM$18.1 billion (equivalent to approximately HK$42.7 billion) in 2008 to RM$20.7 billion (equivalent to approximately HK$48.9 billion) in 2010 and reached RM$23.2 billion (equivalent to approximately HK$54.8 billion) by 2012.

Hospitality industry in Malaysia

Hotel supply and trend

With the increase in the number of visitors, demand for hotel rooms in Malaysia has also increased over the years. In Malaysia, the number of hotels and available rooms show a steady growth over the period from 2008 to 2012, a similar trend as in Hong Kong and Singapore, and indicating a growing tourism industry.

The following table illustrates the number of hotels and available rooms in Malaysia from 2008 to 2012:

Hotels and rooms supply in Malaysia 2008 to 2012

	2008	2009	2010	2011	2012
Number of hotels	2,373	2,373	2,367	2,707	2,724
Number of rooms	165,739	168,844	168,497	193,340	195,445

Source: Tourism Malaysia

HISTORICAL TREND OF PRICES OF THE FINAL PRODUCTS AND THE LABOUR COSTS USED IN OUR PROJECTS

There are two main components that make up a significant portion of the cost of sales from our projects: the final products, such as furnishing and construction materials and the costs of labour that our materials suppliers and sub-contractors utilise and employ. According to the National Bureau of Statistics of China, the Producer Price Index for the furniture manufacturing products increased by about 1.7% from 2011 but price inflation has slowed down from the 2.4% increase in 2011. The Producer Price Index for the construction materials and hardware and electrical materials increased steadily by about 0.3% from 2011 but price inflation has slowed down from the 5.1% increase in 2011. The following table shows the historical producer price index movement of our final products used that influence the cost of our business.

Producer Price Index by the final products used (previous year = 100.0)

	2008	**2009**	**2010**	**2011**	**2012**
Furniture manufacturing products	103.3	100.2	101.4	102.4	101.7
Construction materials and hardware and electrical materials	107.9	98.4	103.5	105.1	100.3

Source: National Bureau of Statistics of China

Labour costs also contribute a substantial portion of our cost of sales and amongst which labour costs for carpentry, plaster and painting works are the major ones. The following table shows the historical daily salary for construction workers in Hong Kong in the trades of carpentry, plaster, and painting from 2008 to 2013.

Historical daily salary for construction workers in Hong Kong

	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Carpentry works *(HK$)*	820	820	850	900	950	1,000
Plaster works *(HK$)*	850	850	900	950	1,000	1,100
Painting works *(HK$)*	800	800	850	900	950	1,000

Source: Hong Kong Construction Industry Employees General Union

It can be observed from the table above that the labour costs have shown a steady increase over the years. According to the Hong Kong Construction Industry Employees General Union, from 2008 to 2013, the daily salary for carpenters, plaster workers and painting workers increased by approximately 22.0%, 29.4% and 25.0% respectively. Although the construction workers are advocated through their respective unions and their salary is based on the published fixed rates, such growth over the years can be partly attributed to the decreasing supply of labour in the construction industry.

This section sets forth a summary of the laws and regulations applicable to our business in Hong Kong, Singapore and Malaysia.

I. LAWS AND REGULATIONS IN RELATION TO SAFETY AND CONSTRUCTION WORKS IN HONG KONG

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 the industrial sector. 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 or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; 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 up to HK$500,000 and to imprisonment for up to six months.

Under the Factories and Industrial Undertakings Ordinance, there are 30 sets of subsidiary regulations covering various aspects of hazardous work activities in factories, building and engineering construction sites, catering establishments, cargo and container handling undertakings and other industrial workplaces. The subsidiary regulations prescribe detailed safety and health standards on work situations, plant and machinery, electricity, processes and substances.

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:

- 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 or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;

- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of up to 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 up to HK$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice 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 up to HK$200,000 and HK$500,000 respectively and imprisonment of up to 12 months.

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

The Employees' Compensation Ordinance establishes a no-fault and non-contributing 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 arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) 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). According to Section 40(1B) of the Employee's Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK$200 million per event to cover his liability and that of his sub-contractor(s) under the Employees' Compensation Ordinance and at common law.

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 up to two years.

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

A principal contractor and a superior sub-contractor are subject to the provisions on sub-contractor'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 sub-contractor on any work which the sub-contractor 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 sub-contractors 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 and/or superior sub-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 sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date.

A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor 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 sub-contractor to that sub-contractor (where applicable) of whom he is aware.

A principal contractor who without reasonable excuse fails to serve notice on the superior sub-contractors 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 sub-contractor 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 sub-contractor, as the case may be.

The principal contractor or superior sub-contractor may either (i) claim contribution from every superior sub-contractor to the employee's employer or from the principal contractor and every other such superior sub-contractor 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 sub-contractor in respect of the work that he has sub-contracted.

Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong)

The Building (Minor Works) Regulation ("Minor Works Regulation") is a subsidiary legislation under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) and provides for a simplified procedure and requirements to regulate building works which have been specified as "minor works".

Under the Minor Works Regulation, 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 ("Building Professional") (such as an authorized person and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor ("Registered Contractor"). The other two classes of minor works, Class II and Class III, can be carried out by Registered Contractor (which can be a Registered General Building Contractor, a Registered Specialist Contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a Registered Minor Works Contractor) without the involvement of a Building Professional.

Registered Minor Works Contractors may be body corporates, partnerships, sole proprietorship or individuals and have to satisfy the Building Authority that their personnel possess the necessary technical qualifications and work experience before they could be registered under the Buildings Ordinance.

The Building Professional appointed will be responsible for the design and supervision of the works while the Registered Contractor appointed will be responsible for the carrying out of the works. If Building Professional is not required to be appointed, i.e. no Class I minor works item is involved, the design of the works will also be responsible by the Registered Contractor appointed as well.

The Building Authority must be notified of the commencement of projects involving Class I and Class II minor works items, in the specified form with prescribed plans, supporting document and site photos, which must be submitted at least seven days before the commencement of works. The Building Authority will issue a submission number after the verification of all works involved are "minor works" and a certificate of completion should be submitted in the specified form with the submission number, record plans, supporting document and record photos within 14 days after the completion of works.

For projects in which only Class III minor works are involved, it is not necessary to notify the Building Authority of the commencement of the projects as required for Class I and Class II minor works items. However, notice and certificate of completion should be submitted in the specified form with record plans or description of works, supporting document and record photos (before and after the completion of works) within 14 days after the completion of works.

The Building Authority will conduct audit checks upon receipt of the above notices to ascertain compliance with the statutory requirements and ensure the quality and standard of such "minor works". Disciplinary and prosecution actions may be taken against cases of non-compliance. According to sections 4A(2) and 9AA(2) of the Buildings Ordinance, if a person who arranged for the works to be commenced or carried out has knowingly failed to appoint the Building Professional and/or the Registered Contractor (as the case may be), he will be liable on conviction to a fine of up to HK$100,000 under section 40(1AB) of the Buildings Ordinance.

The Registered Contractor may be subject to disciplinary proceedings if he has: (i) been negligent or misconducted himself; (ii) deviated in a material manner from a supervision plan; (iii) drawn up a supervision plan that does not comply with the material requirements of the Ordinance; (iv) certified "minor works" that have been carried out in contravention of the Ordinance; (v) supervised "minor works" that have been carried out/carried out minor works in such a manner that they have caused injury to a person; or (vi) carried out building works (other than "minor works") under the "simplified requirements"/certified building works (other than "minor works") as if it were "minor works" commenced under the "simplified requirements". The disciplinary proceedings can bring about suspension or removal from the register, a fine or a reprimand.

If any building works have been or are being carried out in such a manner as, in the opinion of the Building Authority, will cause or will be likely to cause a risk of injury or damage to property, an order may be served under section 24A of the Buildings Ordinance for ceasing the constitution of such a risk.

The Building Authority may require a person to demolish, remove or alter any "minor works" commenced under the simplified requirements that have been or are being carried out in contravention of any provisions of the Buildings Ordinance. Any person who fails to comply with such order will commit offence and shall be liable on conviction to a fine of up to HK$50,000 and to imprisonment for up to three months and to a fine of up to HK$5,000 for each day if the offence is continuing.

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 premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

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

Pursuant to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor or sub-contractor) 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 plants 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.

II. LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION IN HONG KONG

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 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 at all times, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas 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 Environmental Protection Department 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 Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Environmental Protection Department.

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

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly 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, a main contractor who undertakes construction work with a value of HK$1 million or above will be required to establish a billing account with the Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer with the Environmental Protection Department. The waste must be packaged, labeled 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 licence from 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 up to HK$200,000 and to imprisonment for six months for the first offence, up to HK$500,000 and to imprisonment for two years for a second or subsequent offence, and in addition, if the offence is a continuing offence to a fine of up to HK$10,000 for each day which it is proved to the satisfaction of the court that the offence has continued.

III. LAWS AND REGULATIONS IN RELATION TO OPERATION IN SINGAPORE

This section sets forth a summary of the several significant laws and regulations in Singapore that our Group's operations undertaken by HSS or its sub-contractor may be subject to:

Building Control Act (Cap. 29) ("BCA")

The BCA sets out the law relating to buildings and for matter related therewith that are applicable to relevant parties such as the builders, architects, occupiers and owners to any premises comprised in a strata title plan under the Land Titles (Strata) Act (Cap. 158).

The BCA together with the Building Control (Licensing of Builders) Regulations 2008 set out the requirements for permitting the licensing of builders. Licensing requirements will apply to builders who undertake both either public and private construction project works where plans are required to be approved by the Commissioner for Building Control.

The term "builder" is defined in the BCA as "*any person who undertakes, whether exclusively or in conjunction with any other business, to carry out any building works for his own account or for or on behalf of another person (referred to in this definition as A), but does not include any person who contracts with a builder for the execution by that person of the whole or any part of any building works undertaken by the builder for or on behalf of A under a contract entered into by the builder with A)*".

Since HSS's current operation in Singapore does not fall within such definition, it is not subject to the regulations stated therein. Nevertheless, should HSS subsequently engage in operation such as building works that would fall within the BCA regulations; it will render HSS's compliance with the provisions stipulated under BCA whenever necessary.

Work Injury Compensation Act ("WICA")

Every employer is required under WICA to maintain adequate Work Injury Compensation (WIC) insurance for their employees doing manual work (regardless of salary level), and those doing non-manual work who are earning SG$1,600 or less per month.

This is applicable to both local and foreign employees. Any failure to do so is an offence punishable by a maximum fine of SG$10,000 and/or imprisonment of up to 12 months.

The WICA is also the alternative for the employee to file a civil suit against the negligent party under common law for damages. It empowers the employee engaged under a "contract of service" or "contract of apprenticeship" with an employer, regardless of salary level, to claim for injury suffered by him by an accident arising out of and in the course of his employment or when he has contracted an occupational disease, or contracted a disease due to work-related exposure to biological or chemical agents.

The WICA provides that the employer shall be liable to pay compensation (which comprises of medical leave wages, medical expenses, or lump sum compensation for permanent incapacity or death) in accordance with the calculation methods as set out therein.

Workplace Safety and Health Act ("WSHA")

The WSHA sets out the framework requiring all stakeholders to take reasonably practicable measures to ensure the safety and health of workers and other people are not affected when the works are being carried out in the workplace. These stakeholders are categorised into various groups, such as: employers, principals (i.e. the person or organization who engages another person or organization to supply labour or perform work under a contract for service), occupiers, manufacturers, employees.

Under the WSHA, an employer has the duty to take, so far is reasonably practicable, such measures necessary to protect the safety and health of employees or workers working under their direct control, as well as all who may be affected by their work. The common duties of employers include: (i) conducting risk assessments to remove or control risks to workers at the workplace, (ii) maintaining safe work facilities and arrangements for the workers at work, (iii) ensuring safety in machinery, equipment, plant, articles, substances and work processes at the workplace, (iv) developing and implementing control measures for dealing with emergencies, and (v) providing workers with adequate instruction, information, training and supervision.

A principal is required under the WSHA to take, in so far as is reasonably practical, such measures as are necessary to ensure that the contractor engaged by it has the competency to carry out the work engaged for, and has taken adequate safety and health measures necessary in relation to any machinery, equipment, plant, article or process used by the contractor or the contractor's employees.

In respect of employees, WSHA also requires that employees must follow the safe working procedures and principles introduced at the workplace; they must not engage in any negligent and/or unsafe act that may endanger the employees themselves or others working around them. The employees must also use, in proper manner, any personal protective equipment, devices, equipments or other means provided to secure their safety, health and welfare while working.

Environmental Public Health Act (Cap. 95) ("EPHA")

The EPHA requires reasonable precautions to be taken during the erection, alteration, construction or demolition of any building or at any time, so as to prevent danger to life, health or well-being of persons using any public places from flying dusts or falling fragments or from any other material thing or substance. It also regulates, amongst others, the disposal and treatment of industrial waste and public nuisances.

Some of the nuisances (which may be applicable to HSS's operations in Singapore) which are dealt with under the EPHA include the following:

— any premises or part thereof of a construction or in such a state as to be a nuisance or injurious or dangerous to health;

— any dust, accumulation or deposit which is a nuisance or injurious or dangerous to health;

— any factory or work place which is not kept in a clean state;

— any place where there exists, or is likely to exist, any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes;

— any machinery, or any method or process used in premises which causes a nuisance or is dangerous to public health or safety; and

— any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance.

Under Part V of the EPHA, the Director — General of Public Health may, on receipt of any information respecting the existence of a nuisance, when satisfied of the existence of such nuisance, serve a nuisance order on the person by whose act, default or sufferance the nuisance arises or continues, or if the person cannot be found, on the owner or occupier of the premises on which the nuisance arises.

A nuisance order may require works to be executed or things to be done that are necessary to abate the nuisance and/or to prevent the recurrence of the nuisance; or the stoppage of any work either indefinitely or until such time as the steps which may be specified in the order have been taken to abate or prevent the recurrence of the nuisance.

It is provided that any person who fails to comply with a nuisance order served on him shall be guilty of an offence and shall be liable

(i) in the case of a first conviction, to a fine not exceeding SG$10,000 and, in the case of a continuing offence, to a further fine not exceeding SG$1,000 for every day or part thereof during which the offence continues after conviction; and

(ii) in the case of a second or subsequent conviction, to a fine not exceeding SG$20,000 or to imprisonment for a term not exceeding three months or to both and, in the case of a continuing offence, to a further fine not exceeding SG$1,000 for every day or part thereof during which the offence continues after conviction.

Environmental Protection and Management Act (Cap. 94A) ("EPMA")

The EPMA seeks to provide for the protection and management of the environment and resources conservation and regulates amongst others, air pollution, water pollution, land pollution and noise control.

Under the Environmental Protection and Management (Control of Noise at Construction Sites) Regulations, the owner or occupier of any construction site shall ensure that the level of noise emitted from his construction site shall not exceed the maximum permissible noise levels as prescribed in the First or Second Schedules of the Regulations, failing which, the owner or occupier shall be guilty of an offence and shall be liable on conviction to a fine not exceeding SG$40,000 and, in the case of a continuing offence, to a further fine not exceeding SG$1,000 for every day or part thereof during which the offence continues after conviction.

V. LAWS AND REGULATIONS IN RELATION TO OPERATION IN MALAYSIA

This section sets forth a summary of several significant laws and regulations in Malaysia that are or our sub-contractor may be subject to:

Overview of Laws and Regulations in Malaysia

Under the Malaysian's Lembaga Pembangunan Industri Pembinaan Malaysia (or Construction Industry Development Board) Act 1994, it is mandatory for all contractors, both local and foreign, to register with the Construction Industry Development Board ("Board") before undertaking or completing any construction works in Malaysia. Our Company's Legal Adviser as to Malaysia law is of the opinion that HSS's existing business operations in Malaysia however are not subject to such registration requirement as all the construction works to be undertaken by HSS in Malaysia are assigned fully to local Malaysian contractors which are registered with the Board.

HSS's existing business operations in Malaysia are subject to Malaysian federal and state laws and regulations relating to the importation and sourcing of furniture into Malaysia. Import duty will be levied on, and paid by the importer under the Customs Act 1967 in respect of the furniture imported into Malaysia. Every omission or neglect to comply with the act shall be an offence. Furthermore, pursuant to Section 78 of the Customs Act 1967, every importer of dutiable goods shall, before removal of such goods or any part thereof from customs control, make personally or by his agent to the proper officer of customs at such warehouse, a declaration of the goods imported by notice in writing. Pursuant to Section 114 of the Customs Act 1967, all goods in respect of which there has been committed any offence against the act or any regulation made thereunder, may be seized by any officer of customs in any place either on land or in territorial waters.

Our Company's Legal Adviser as to Malaysia law is of the opinion that HSS's existing business operations in Malaysia are not subject to Malaysian federal and state laws and regulations relating to environmental protection. In Malaysia, the Environmental Quality Act 1974 and its accompanying regulations form the main legal frameworks that provide for the prevention, abatement and control of industrial pollution. The Environmental Quality Act 1974 and its accompanying regulations do not apply to HSS's existing business operations in Malaysia (i.e. importing, sourcing and installation of furniture in hotel rooms) and there are generally no Malaysian laws that govern the control and management of indoor environmental quality (i.e. emission of toxic substances by furniture in an indoor setting).

Our Company's Legal Adviser as to Malaysia law is of the opinion that HSS's existing business operations in Malaysia are not subject to Malaysian federal and state laws and regulations relating to safety, health and welfare of employees. In Malaysia, the Occupational Safety and Health Act 1994 and the Employee's Social Security Act 1969 were enacted to ensure the safety, health and welfare of all persons at all places of work. HSS's business operations are not required to comply with such legal provisions as HSS does not carry out any part of the construction works in Malaysia and hence does not have any employee hired under contract of service with our Group in Malaysia.

VI. OVERVIEW OF TAX LAWS

Set out below is an overview of applicable laws and regulations in respect of taxation:

Hong Kong

(i) Corporate profits tax

In general, persons, including corporations, partnerships, trustees and bodies of persons carrying on any trade, professional or business in Hong Kong are liable for tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. The corporate tax rate of Hong Kong was 16.5% for the Track Record Period.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of shares registered on the Hong Kong register of members. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the shares transferred on each of the seller and purchaser. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5.

(iii) Dividends

No tax is payable in Hong Kong in respect of dividends paid by the Group.

Singapore

(i) Income Tax Act

Singapore operates a territorial tax system under the Income Tax Act chapter 134. All income accrued in or derived from Singapore or received in Singapore from outside Singapore is subjected to tax. All gains or profits from any trade, business, profession or vocation is liable for Singapore tax. The current corporate tax rate is 17% with step exemption ranging from 50% to 75% for the first SG$300,000 chargeable income for companies.

Since incorporation, HSS is a tax resident in Singapore with control and management in Singapore, with a permanent establishment locally. All business profits and gains made by HSS is subjected to Singapore tax. The revenues from HSS's Malaysian operation have been included and subjected to Singapore tax.

(ii) Goods and Services Tax

Goods and Services Tax is a local wide based consumption tax applied to goods and services supplied and consumed locally under the Goods and Services Tax Act chapter 117A. The current goods and services tax rate is at 7%.

HSS is a Goods and Services Tax registered person, and has the liabilities to collect and account for all goods and services tax collected on a quarterly basis strictly according to the provisions of the Goods and Services Tax Act.

Tax Exemption

A newly incorporated company that meets the following qualifying conditions can claim for full tax exemption on the first SG$100,000 and a further 50% exemption on the next SG$200,000 of normal chargeable income (income to be taxed at the prevailing corporate tax rate) for each of its first three consecutive Years of Assessment ("YA"):

1. incorporated in Singapore;

2. a tax resident in Singapore for that YA; and

3. has no more than 20 shareholders throughout the basis period for that YA where:

    (i) all of the shareholders are individuals beneficially and directly holding the shares in their own names; or

    (ii) at least one shareholder is an individual beneficially and directly holding at least 10% of the issued ordinary shares of the company.

In view that Hotel Sourcing Singapore Pte Ltd does not meet the third condition, it can only claim the partial tax exemption as described below:

Effective from YA 2008, a partial tax exemption is given to companies on normal chargeable income (income to be taxed at the prevailing corporate tax rate, but excluding Singapore franked dividends) of up to SG$300,000 as follows:

Exempt amount

	SG$				SG$
First	10,000	@	75%	=	7,500
Next	290,000	@	50%	=	145,000
	300,000				152,500

Tax Rebate

To help companies cope with rising business costs, Singapore government has announced in Budget 2013 that, for the YA 2013, 2014 and 2015, companies will receive a 30% Corporate Income Tax Rebate that is subject to a cap of SG$30,000 per YA.

Malaysia

Income Tax Act 1967

Malaysia generally imposed income tax on a territorial basis. Income tax in Malaysia for company is imposed on income accruing in, or derived from or received in, Malaysia at a flat rate of 20% for the first RM500,000 of chargeable income and 25% for chargeable income exceeding RM500,000 for a company resident in Malaysia which has a paid-up capital in respect of ordinary shares of RM2.5 million and less at the beginning of the basis period for a year of assessment. A company becomes a tax resident for a year of assessment, regardless of where it is incorporated, if, at any time during the basis year, it is managed and controlled in Malaysia. Generally, a company is regarded to be managed and controlled in the place where its directors' meetings are held. A non-resident company is taxed at a flat rate of 25% of chargeable income. A non-resident person is chargeable on the income accruing in or derived from Malaysia. Income from sources outside Malaysia remitted to Malaysia by a non-resident person is exempt from tax. HSS is a non-resident in Malaysia.

According to the agreement between the Government of Malaysia and the Government of The Republic of Singapore for the Avoidance of Double Taxation and The Prevention of Fiscal Evasion With Respect To Taxes On Income ("Double Taxation Agreement"), the business profits of a Singapore enterprise will be taxable in Malaysia only unless it carries on business through its permanent establishment, being a fixed place of business through which the business of the enterprise is wholly or partly carried on, including a building site or construction, installation or assembly project, which exists for more than 6 months in Malaysia.

Since HSS's current operation in Malaysia does not last more than six months, HSS has no permanent establishment in Malaysia and is not subject to corporate income tax. Nevertheless, should HSS subsequently engage in operation such as building site or construction, installation or assembly project which last over six months, HSS will be consider as an permanent establishment in Malaysia and subject to, assuming as non-resident, Malaysian tax at 25%.

Withholding tax

A non-resident who has income derived from Malaysia in respect of consideration paid for services rendered by the person in connection with, inter alia, the installation of any apparatus purchased from, such person is subject to withholding tax of 10%. The responsibility of withholding lies with the payer who is liable to pay to the non-resident payee.

In accordance with Double Taxation Agreement, the 10% withholding tax on the payments for the on-site installation works being withheld from HSS will be allowed as a credit against HSS's Singaporean tax in respect of that installation income.

VII. APPROVAL FOR THE LISTING

Save for the approval from the Stock Exchange, no other regulatory approval is required for the Listing. For shareholder's approval, please refer to paragraph 3 of Part A of Appendix IV to this prospectus.

HISTORY AND DEVELOPMENT AND REORGANISATION

The following summarises our Group's milestones since inception:

Date	Major development and achievement
May 2004	Karlson, one of the principal operating subsidiaries of our Group, was established and principally engaged in design and fitting-out services in Hong Kong
March 2006	Hotel Sourcing was established to complement our Group's design and fitting-out services by extending to include design and procurement of furnishings and materials services in Hong Kong and the PRC
December 2011	Hotel Sourcing Singapore was established to become our first overseas operating subsidiary to cover our Singapore and Malaysia markets

History and development of our Group

Our Group has been in operation for around ten years and our development is set out below:

Karlson

Karlson, one of the operating subsidiaries of our Group, was incorporated on 24 May 2004 with limited liability in Hong Kong. Mr. Chan, our Chairman, is the founding shareholder and one share was alloted at par to Mr. Chan on the date of incorporation. Karlson's principal activities are provision of design and fitting-out services.

Hotel Sourcing

Hotel Sourcing, formerly known as Gainful Star Limited, was incorporated on 20 February 2006 with limited liability in Hong Kong. Mr. Chan acquired one share being the entire issued share capital in Hotel Sourcing since 13 March 2006.

Hotel Sourcing was initially set up for property investment. On 15 February 2007, a further 99 shares were issued and allotted at a par value of HK$1 each. As a result, Mr. Chan owned 40% of the issued share capital of Hotel Sourcing, Ms Lee Yuk Pui Kawina owned 25% and the balance of 35% was owned by an Independent Third Party and its associate. According to our Directors, the nature of business has changed to provision of interior design services and sourcing of furniture and marbles. Regarding the change in nature of business, please also refer to the paragraph headed "17. Legal compliance" in the section headed "Business" of this prospectus.

Wealth Trinity

Wealth Trinity was incorporated on 31 July 2006 with limited liability in Hong Kong. On 12 September 2006, an associate of Mr. Chan, became the sole shareholder of the company when its subscriber (a nominee company provided by a service provider) transferred the entire issued share capital to her at HK$1. Wealth Trinity was initially set up for engineering purpose. According to our Directors, the nature of business has changed to provision of interior design services and consultancy services.

Joy Excel

Joy Excel was incorporated on 18 September 2008 with limited liability in Hong Kong. Mr. Chan became the sole shareholder of Joy Excel when he acquired the entire issued share capital from its subscriber (a nominee company provided by a service provider) at nominal consideration of HK$1 on 29 December 2008. Joy Excel was initially set up for investment purpose. According to our Directors, the nature of business has changed to provision of interior design services and consultancy services. Regarding the change in nature of business, please also refer to the paragraph headed "17. Legal compliance" in the section headed "Business" of this prospectus.

Well Creation

Well Creation was incorporated on 15 January 2009 with limited liability in Hong Kong. Ms. Lee Yuk Pui Kawina, the wife of Mr. Chan, became the sole shareholder of Well Creation when she acquired the entire issued share capital from its subscriber (a nominee company provided by a service provider) at HK$1 on 25 March 2009. Well Creation was initially set up for investment purpose. According to our Directors, the nature of business has changed to provision of interior design services and consultancy services.

Regarding the change in nature of business, please also refer to the paragraph headed "17. Legal compliance" in the section headed "Business" of this prospectus.

Group restructuring in September 2010

In September 2010, our Group restructured these companies under one common shareholder, China Sourcing, which was incorporated on 1 September 2010 with limited liability in the BVI. One share at par of US$1.00 in China Sourcing was allotted and issued to Genius Idea on the date of incorporation. Shares of the following entities were transferred to China Sourcing:

Entity	Date of transfer	Transferor	Consideration	No. of shares
Karlson	21/09/2010	Mr. Chan	HK$1	1
Hotel Sourcing	28/09/2010	Mr. Chan	HK$40	40
		Lee Yuk Pui Kawina	HK$25	25
		An Independent Third Party	HK$35	35
Wealth Trinity	24/09/2010	An associate of Mr. Chan	HK$1	1
Joy Excel	24/09/2010	Mr. Chan	HK$1	1
Well Creation	21/09/2010	Karlson	HK$1	1

Note: consideration of HK$1 per share as all the subject companies were loss making

Subsequent to the group restructuring carried out in September 2010, the following subsidiaries were incorporated.

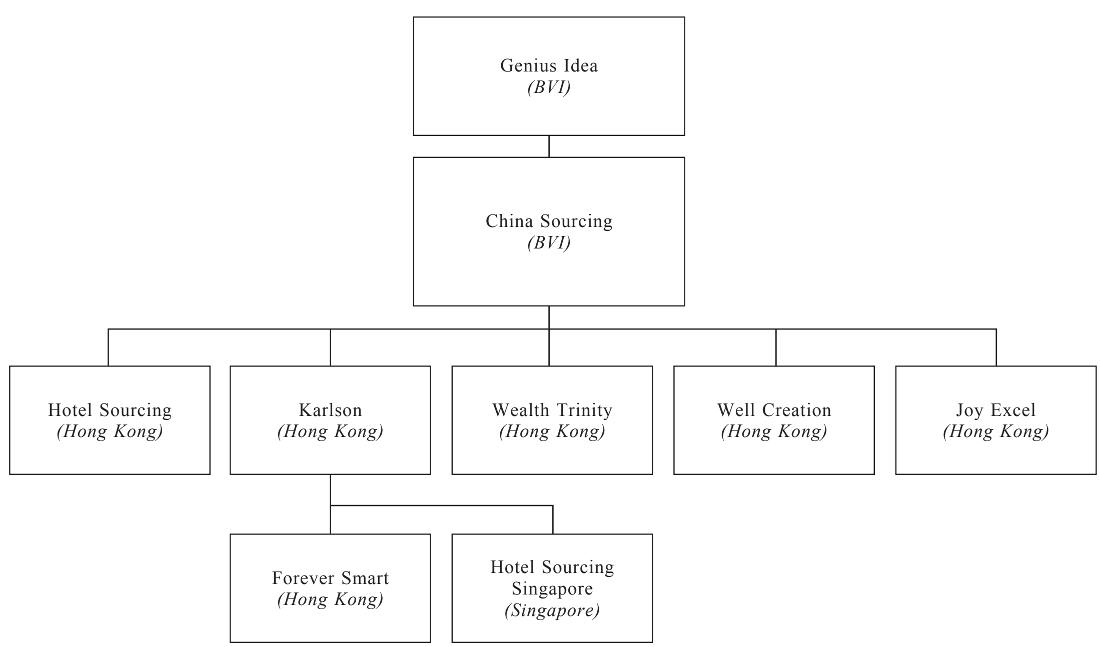
Forever Smart

Forever Smart was incorporated on 24 March 2011 with limited liability in Hong Kong. Karlson became the sole shareholder of Forever Smart when it acquired the entire issued shares from its subscriber (a nominee company provided by a service provider) at HK$1 on 9 April 2011. Forever Smart was set up for construction and decoration purpose.

Hotel Sourcing Singapore

Hotel Sourcing Singapore was incorporated on 29 December 2011 with limited liability in Singapore with Karlson as its sole shareholder. The principal business is provision of design and procurement of furnishings and materials with a focus in Singapore and Malaysia market. It is the first overseas subsidiary of our Group.

According to our Directors, considerations of all of the aforesaid transfer of shares above were arrived at after arm's length negotiations between the parties and were based on normal commercial terms. The respective transactions had been properly and legally completed and have been settled. Subsequent to the aforesaid transactions, the structure of these companies are illustrated below:



REORGANISATION

Genius Idea was incorporated on 6 July 2010 with limited liability in the BVI, and is wholly-owned by Mr. Chan.

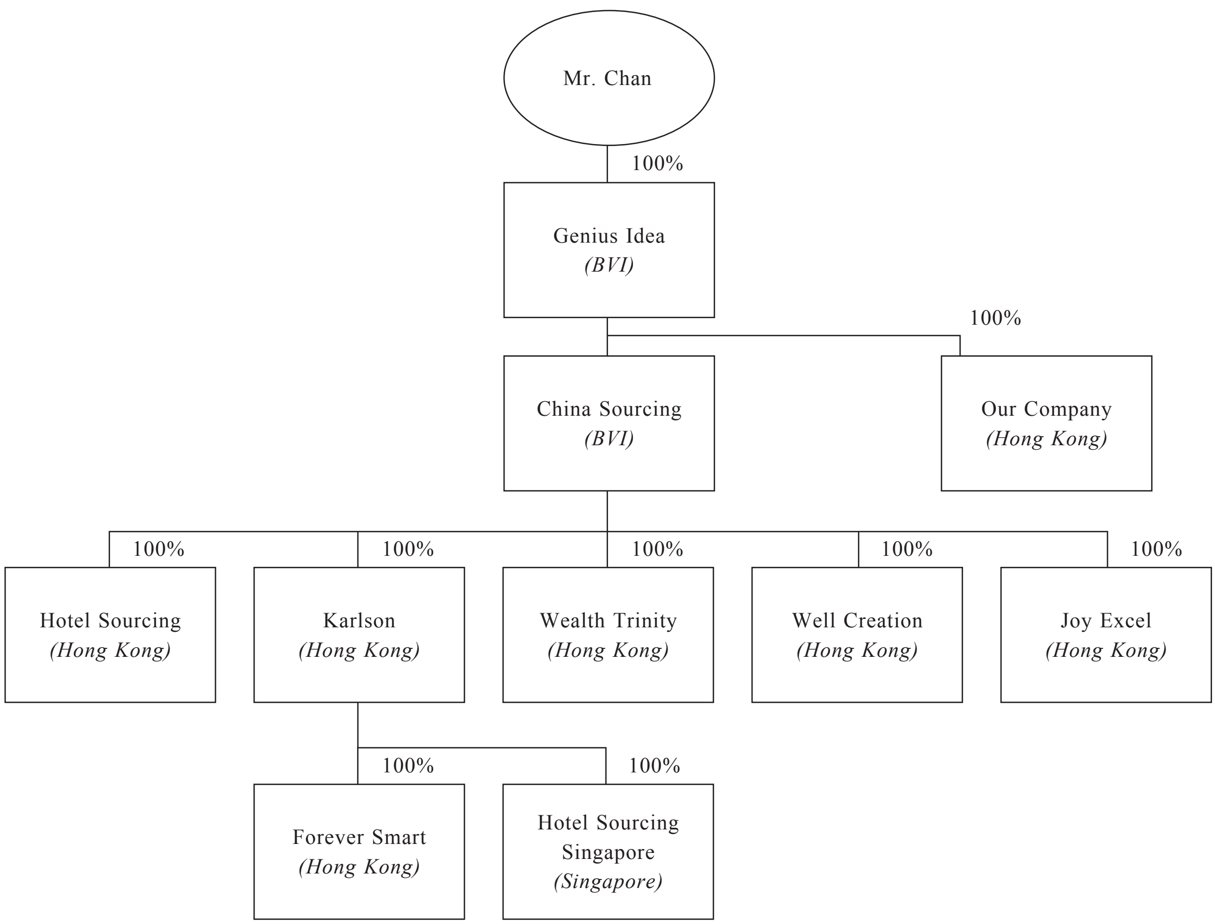
Our Company was incorporated on 29 July 2013 with limited liability in Hong Kong and is wholly-owned by Genius Idea.

Prior to the Reorganisation, China Sourcing was the holding company of all the operating subsidiaries of our Group and Genius Idea, a company incorporated in the BVI was the sole shareholder of China Sourcing. At the same time, Genius Idea was the sole shareholder of our Company and our Company had no assets at the time. On 31 August 2013, Genius Idea transferred the entire issued share capital in China Sourcing to our Company for HK$13,497,000 which was satisfied by the issue and allotment of one share in our Company to Genius Idea. As a result, our Company became the holding company of our Group and Genius Idea remained the sole shareholder of our Company. As at the Latest Practicable Date, our Company is a wholly-owned subsidiary of Genius Idea.

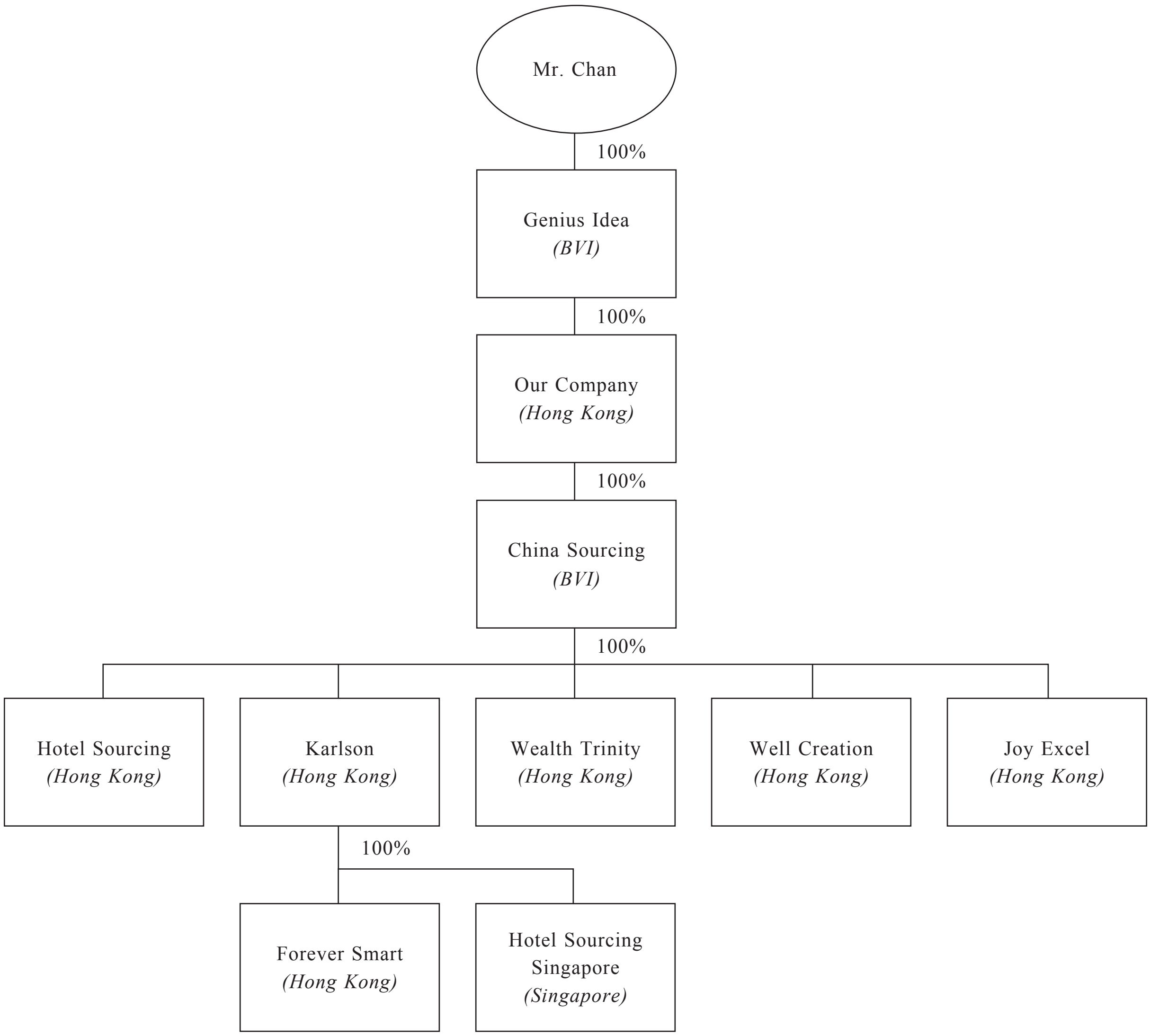
Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in Appendix IV to this prospectus.

CORPORATE STRUCTURE

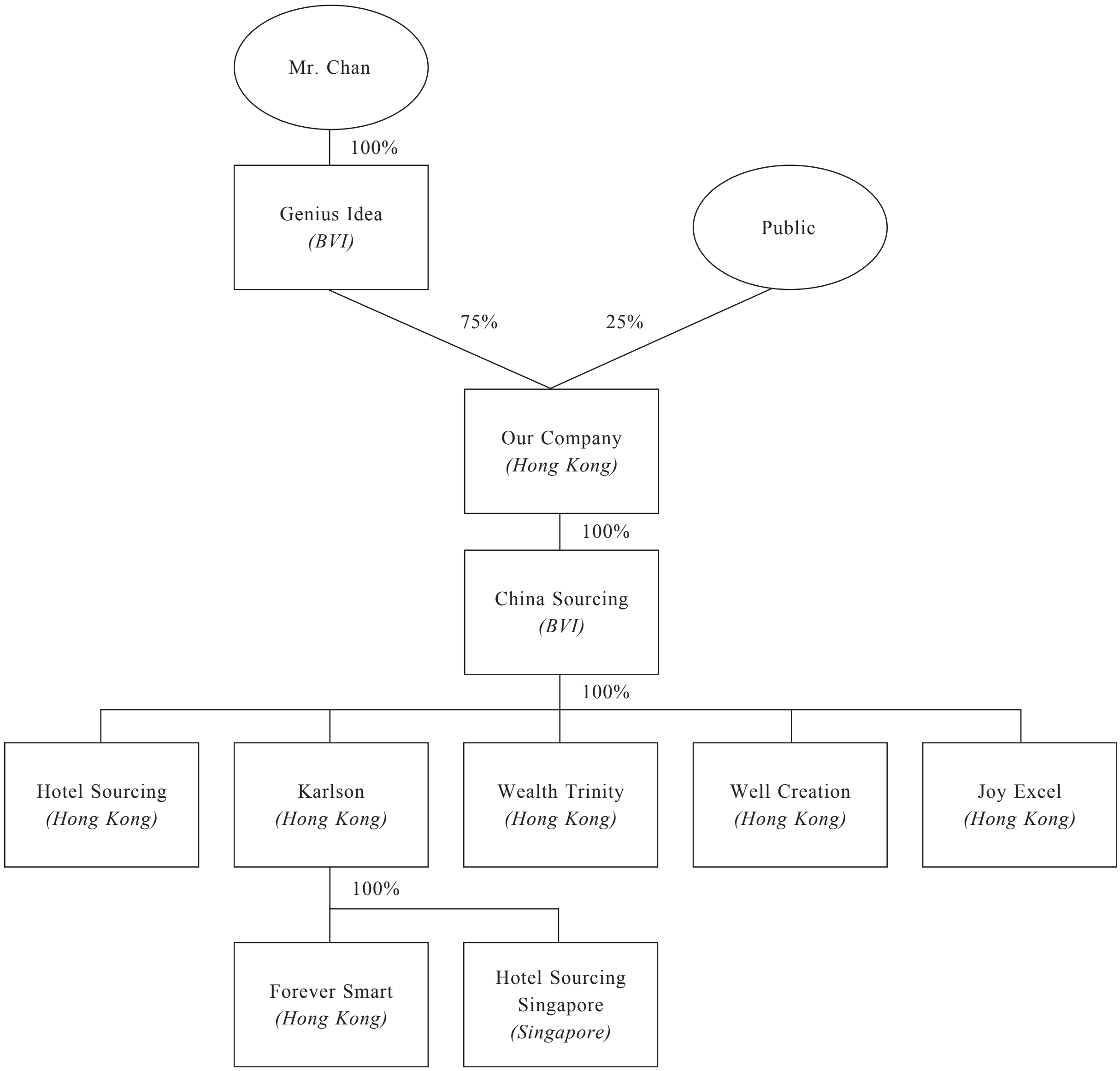
The following chart sets out our corporate structure immediately before the Reorganisation:



The following chart sets out our corporate structure after completion of the Reorganisation and immediately before the Placing and Bonus Issue:



The following chart sets out our corporate structure after completion of the Reorganisation and immediately following the Placing and Bonus Issue:



BUSINESS

1. Overview

Our Group is a design and fitting-out business based in Hong Kong which provides a one-stop service for customers from design, project implementation and management to procurement of furnishings and materials.

We primarily focus on the hospitality segment in Hong Kong by providing design and fitting-out services for hotels. Such segment has a set of requirements that we believe we have an in-depth understanding of. Our primary focus and strategy lies within the hospitality industry. Our Group has also designed, fitted-out and provided procurement services for a broad range of projects including residential units, commercial and retail premises and schools, mainly in Hong Kong, Singapore and Malaysia. We have been conducting our business, initially mainly on the provision of design and fitting-out services, since 2004, through one of our principal operating subsidiaries, Karlson, in Hong Kong.

Leveraging on our design expertise and long standing business relationships with our materials suppliers, we have diversified our business into the design and procurement of furnishings and materials and have expanded our business from Hong Kong into Singapore and Malaysia. Our two main types of projects include (i) design and fitting-out works which involve the design and project management, and procurement of furnishings and materials; and (ii) design and procurement of furnishings and materials which involve stand-alone design and procurement of furnishings and materials services but does not involve any construction works. The majority of furnishings and materials that we procure include cabinets, bed frame, wardrobe, tables, chairs, table lamps etc.

Nature of (i) design and fitting-out services, and (ii) design and procurement of furnishings and materials services

We have been providing design and fitting-out services since 2004. During the period from 2004 to 2012, there had been occasions where our customers had required standalone design and procurement of furnishings and materials services, where the projects did not require us to be involved in construction works (e.g. demolition, painting or electrical works). Apart from this difference, the nature of our design and fitting-out services as well as design and procurement of furnishings and materials services are similar, as they involve the same expertise, the same team of staff and resources and the same operational procedures. Our Directors have observed that there has been increasing demand for our Group’s design and procurement of furnishings and materials services and our Group has devoted more resources to this segment in the past two years to meet the demand; and will continue to do so as and when required in line with this trend.

Rapid growth of design and procurement of furnishings and materials segment during the year ended 31 March 2013

During the year ended 31 March 2013, our Group recorded a growth of revenue derived from provision of design and procurement of furnishings and materials services of approximately 55 times as compared to previous year. This is attributable to our engagement in (i) a school project in Hong Kong, the contract value of which exceeded HK$15.0 million; and (ii) a hotel project in Singapore the, contract value of which exceeded HK$10.0 million. As a result of the aforesaid hotel project, our Group has also extended our market coverage to Singapore.

We consider such expansion is a natural extension of our business based on our existing team of staff. An example was the abovementioned opportunity to provide design and procurement of furnishings and materials services for a school project in Hong Kong which was rendered during the year ended 31 March 2013, which was referred to us by an existing customer. In another example, after several years of co-operation on design and fitting-out services with the teams of hotel groups in Hong Kong, we were invited to join a tender for the design and procurement of furnishings and materials services to a hotel in Singapore.

Given the contract value of the school project in Hong Kong and the hotel project in Singapore were larger than our past projects for such services, the revenue derived from such services had grown rapidly during the year ended 31 March 2013.

In addition, our Directors confirm that it is not the primary concern as to where such services are to be provided so long as it is commercially viable (for example, our Group being able to achieve a reasonable margin). Leveraging on the overseas experience, our Directors believe that geographical expansion will facilitate diversification of our customer portfolio and accordingly strengthen our business as a whole. Also, our Directors note that such design and procurement of furnishings and materials services, regardless of where they are rendered, generally have the following characteristics:

1. generate better gross profit margin;
2. involve fewer sub-contractors and less administrative work; or
3. have shorter project lead time.

Continue development in design and procurement of furnishings and materials segment during the year ended 31 March 2014

For the year ended 31 March 2014, our Group generated revenue from design and procurement of furnishings and materials services of approximately HK$27.3 million from 11 projects (with gross profit margin of approximately 33.39%), which is slightly lower than the approximately HK$28.7 million of revenue generated from 9 projects in 2013 (with gross profit margin of approximately 41.27%). This decrease in gross profit margin was attributable partly to a concession made to a customer which is a non-profit making specialised institute in Hong Kong, and partly due to the fact that there was no project of a particularly high profit margin in the year ended 31 March 2014 as compared to the previous year. Our Directors believe this indicates there is market demand for such services.

During the Track Record Period, the number of design and procurement of furnishings and materials services projects completed was 6 in Singapore, 1 in Malaysia, and 16 in Hong Kong. As at 31 May 2014, being the latest practicable date for this purpose, our Group has secured three projects for design and procurement of furnishings and materials services for an aggregate remaining contract value of approximately HK$41.3 million (two in Hong Kong for approximately HK$30.9 million and one in Malaysia for approximately HK$10.5 million). Our Directors expect these projects to be completed on or before 30 June 2015. Our Directors believe that there is market potential in the tourism and hospitality industries in both Singapore and Malaysia as set out in the section headed “Industry overview” of this prospectus. As such, our Directors believe that there is general market demand for our design and procurement of furnishings and materials services in both these countries, and are confident that our Group can continue to develop such services there.

Given the above, our Directors have decided to further explore markets outside Hong Kong, and our Group was able to secure a contract for provision of design and procurement of furnishings and materials services in Singapore. In view of the business needs, HSS was established in Singapore in 2011. Subsequently, we have also (through this Singapore subsidiary) tendered and secured a contract for these services for a hotel currently under construction in Kuala Lumpur, Malaysia. There is a Double Tax Agreement between Singapore and Malaysia. In view of this tax arrangement and the close proximity between Singapore and Malaysia, our Directors believe that establishing a subsidiary in Singapore would sufficiently cover our current business operations in Singapore and Malaysia. Also taking into account the market potential of Singapore and Malaysia as described in the section headed "Industry overview" of this prospectus, as well as our experience accumulated from Singapore and Malaysia, our Directors believe that it is in our Group's interest to continue to extend our presence in Singapore and Malaysia markets, in addition to our primary market in Hong Kong.

Breakdown of our revenue by types of projects, types of properties on which we carried out in our business, and geographical location during the Track Record Period are set out in the section headed "Financial information" of this prospectus.

When we provide design and fitting-out services, we are usually responsible for the overall project management and implementation. We provide arrangements for the necessary materials, labour, design and technical know-how required for the execution of the projects. We liaise with our customers, sub-contractors and materials suppliers in order to ensure all materials and works conform to contractual requirements, are executed on time and within budget, and fall within customers' expectations.

When we provide design and procurement of furnishings and materials services, we are also responsible for the overall project management and implementation which involve assembling. We liaise with our customers, materials suppliers and sub-contractors to ensure all materials can meet our customers' specifications, and are executed on time and within the agreed budget.

We do not employ any manual workers for labour intensive construction works such as plumbing, air conditioning work, sprinkler systems and fire hydrants installation, electrician work, plaster work, carpentry, painting, demolition, and logistics etc. We find the expertise and resources necessary for these works in our pool of sub-contractors and self-employed workers, and such practice is within industry norm according to our Directors' best belief.

In order to ensure the quality and continuity of our designs, we mostly source the materials to be used in the execution of the projects from our panel of materials suppliers. As at the Latest Practicable Date, we had over 40 sub-contractors and 30 materials suppliers in our pool of resources, some of whom our Group or our Directors have long standing relationships for over eight years.

Our projects originate from a variety of sources mainly, from recurring business, referrals, and some are walk-in customers. The projects are executed according to an operational procedure to assure feasibility, quality, cost control and customer specification.

Upon identification of a potential project and subsequently the requirements of the customers and the scope of works, we identify a group of sub-contractors and materials suppliers to execute the works and determine the estimated pricing of the project. Upon engagement by our customers, our Project Department is primarily responsible for the execution of the works, organising the workforce with a timeline ensuring timely and proper execution. During the execution of the works, periodical progress payments are received from our customers based on the completion of the works measured in progress payment. Likewise, progress payments are issued to our sub-contractors and materials suppliers based upon progress of completion on a case by case basis. Payment to self-employed manual worker was made every two weeks, which, to the belief of the Directors, is in conformity with the industry practice in Hong Kong.

2. Competitive strengths

We believe that our competitive strengths, as outlined in the following paragraphs, have contributed to our growth in revenue and gross profits and that distinguished us in a positive manner from the others in our industry. We also believe that our experienced management and design team, proven track record and our ability to deliver both design as well as on site project management, within the constraints of time and budget are crucial factors contributing to our success.

2.1 Established track record and reputation

Our Group began its involvement in the interior design and fitting-out industry in 2004. In over ten years of business, we gained relevant experience in our industry. We have a proven track record in the successful and satisfactory delivery of fitting-out and project management works. We believe that we have a good reputation in the interior design and fitting-out industry in Hong Kong. Our list of hospitality customers include hotels located in Lan Kwai Fong, Wan Chai and Kwai Chung respectively.

2.2 Experienced and efficient team

Each of our executive Directors has extensive experience (i.e. over ten years) in the design and fitting-out industry. For details, please refer to their biography set out in the section headed "Directors, senior management and employees" of this prospectus. Our Group believes in the value of human capital and has sponsored a number of industry related courses.

We believe the extensive knowledge and experience of our management team reduce our turn-around time on design proposals and quotations. With our team's knowledge on construction materials and designs, we can offer our customers advice on options in the choice of materials or products within the constraints of the designs. Furthermore, most of our management team members have been with our Group for a range of eight to ten years and have developed a positve business relationship with our customers which in turn equip our Group with a competitive advantage in soliciting recurring business.

For the year ended 31 March 2013 our revenue has shown a growth of over 28.66% on a year on year basis whilst our operational expenses had remained at similar levels to the previous year. We believe this is a result of improvement in efficiency and a good division of labour. In order to meet demands from increasing business, we have been recruiting additional staff since 2011 to support our business. With the additional workforce, our Directors believe that our Group will be able to sustain this positive trend in the foreseeable future.

2.3 Good relationships with materials suppliers and sub-contractors

Our Group has good and long standing business relationships, some exceeding eight years, with our materials suppliers and sub-contractors. When executing a project, we analyze the required resources, being materials and skills, into specified categories. For each of these categories, we normally obtain quotes from our pool of over 40 sub-contractors and over 30 materials suppliers.

Our Directors believe that these long standing relationships are founded on mutual trust since we have a good track record of honouring our payments to materials suppliers and sub-contractors timely and correctly. We believe these relationships provide us with flexibility and give our Group the competitive edge in projects with pressing timelines and high expectations. The long standing relationships also allow us to have a comprehensive overview of the capabilities and quality of our individual sub-contractors, allowing us to match the diverse customer specifications with the appropriate sub-contractor's competitive advantage and ensuring the overall quality of works.

2.4 Integrated one-stop service

Our integrated approach to the design process and project execution gives our customers a one-stop service including design and fitting-out project execution. Our Directors understand that some other players in the industry can deliver only one of these components, leaving the customer in the midst among re-fitting companies, 3D-processing company and design studios. With our one-stop service approach, our Group is able to manage and co-ordinate different aspects of a project such as planning, sample making/mock-up room construction, 3D-graphic modelling, designing, executing and coordinating with different sub-contractors, and deliver a result that falls within customers' expectations.

Given the above, and the fact that the industry is believed to be competitive (please refer to the section headed "Industry overview" of this prospectus for details), our Directors do not consider acquisition to be feasible for our Group and has not identified acquisition target.

3. Corporate strategies

It is our vision to be a pre-eminent service provider offering high quality, innovative and customised interior design and fitting-out project management services to the hospitality industry as well as residential villas and flats, commercial and retail premises in Hong Kong, Singapore and Malaysia. Each region has different market conditions and we have different market objectives in these markets. We intend to (i) further capture the hospitality design and fitting-out markets in Hong Kong and (ii) expand our design and procurement of furnishings and materials business in Singapore and Malaysia. To achieve these objectives we will implement the following strategies:

3.1 Further capitalise our niche in Hong Kong

Our Directors believe we are a recognised brand in the interior design and fitting-out industry for hospitality sectors in Hong Kong. We have executed several projects that our Directors believe have been well received by the industry. This market segment is tied with the development of the tourism industry in Hong Kong. As outlined in the "Industry overview" section of this prospectus, the forecast for the supply of hotel rooms in Hong Kong has been and will continue to be on an upward trend in the coming years. Our Group plans to capitalise on our competitive advantages by focusing our sales and marketing efforts on new hotel developments and refurbishment projects in Hong Kong. We intend to expand our team and set up a showroom in Hong Kong. We believe that our proven track record and close relationships with certain hotel owners and operators will put us in the position to win our fair share of upcoming projects in the years to come.

3.2 Further expand our business of design and procurement of furnishings and materials in Hong Kong, Singapore and Malaysia

Our experience and track record position us well to participate in future projects and our Group will pursue opportunities which we believe will generate a satisfactory return in investment. Our Group has executed a number of design and procurement projects in Hong Kong, Malaysia and Singapore for hospitality customers. Due to the potential growth in the tourism and hospitality industry in these regions, we have identified these markets as growth markets for our business. We intend to expand our presence in Singapore and set up offices to house a sales office and a showroom for our furnishings to cover both the Singapore and Malaysia markets.

By establishing a showroom in Hong Kong and Singapore, we will enable our potential customers to meet with our designers in person. In these showrooms, we will be able to display samples of our designs and furnishings to our potential customers enabling them to understand our design concepts and assess the quality of our products. We may also utilise the showroom as a venue to accommodate our temporary mock-ups designs which are required for some projects to illustrate our proposal to potential customers. Our Group will continue to develop and expand in Hong Kong, and our Directors believe Singapore and Malaysia are markets with potentials and opportunities. It is our strategy to market our services and our brand in Hong Kong, Singapore and Malaysia and we believe the establishment of showrooms will increase the effectiveness and convenience of communications between us and the customers as well as to facilitate the expansion of our business.

Given that:

(i) our Group has completed a total of seven projects of design and procurement of furnishings and materials services in Singapore and Malaysia during the Track Record Period;

(ii) our Group has recently secured another project in Malaysia; and

(iii) there is market potential in the tourism and hospitality industries in both Singapore and Malaysia as set out in the section headed "Industry overview" of this prospectus,

our Directors believe that there is general market demand for such services in both Singapore and Malaysia. In addition, our Directors are of the view that it is in the interest of our Group to continue to extend our services there by setting up a showroom in Singapore, which is expected to facilitate access to potential customers in both Singapore and Malaysia.

3.3 Continue to further enhance our brand name recognition

Over the past years we have been building our "HSI" brand name in our industry and we believe "HSI" is a recognised brand among the hotel operators in Hong Kong. Hotel Sourcing International has registered its three (3) logos as a series of trademarks in Hong Kong and is in the process of registering a trademark in Singapore and Malaysia. Our "HSI" brand is recognised among our existing customers. We will continue to further market our brand, increasing awareness and recognition by participating in trade fairs and exhibitions. The brand name will underpin our future developments in Hong Kong and other regions and we will continue to focus on increasing the appeal of our services. We believe that our brand name, "HSI", will be enhanced as we further expand our business and customer portfolio.

3.4 Increase efficiency, optimise procedures and maintain high standards of work quality

Our Directors believe that our Group's success depends considerably on its ability to maintain high standards of project management and implementation. We will continue to work to distinguish ourselves from other players in the industry by further enhancing our operational efficiency and productivity. Our revenue for the year ended 31 March 2014 amounted to approximately HK$95.9 million, representing a growth of approximately 30.80% as compared to the revenue of HK$73.3 million recorded for the year ended 31 March 2013. On the other hand, administrative expenses increased from approximately HK$6.8 million to HK$13.9 million, representing an increase of approximately 104.58%, which was mainly attributable to the listing expense of approximately HK$5.4 million incurred in the year ended 31 March 2014.

We intend to continue this trend by continuously improving our efficiency, further streamlining and standardising our operational procedures. We will continue to provide training to our employees in these areas and sponsor their education on industry related subject.

3.5 Adhere to prudent financial oversight

In order to ensure sustainable growth and capital sufficiency, we will continue to closely monitor our capital and cash positions. In the process of identifying and selecting emerging opportunities, we will continue to focus on projects which are feasible and profitable.

We will continue to focus on our internal control system to ensure adequate cash flow for our on-going capital requirements, improve our operating facilities and technologies and streamline our operational processes to achieve further savings in our costs.

4. Design, fitting-out works and procurement of furnishings and materials

Our Group has been conducting interior design and fitting-out works primarily within Hong Kong since 2004. We expanded our business into the design and procurement of furnishings and materials in Singapore in 2012 and Malaysia in 2013. For the history of our Group, please refer to the "History, reorganisation and group structure" section of this prospectus.

4.1 Projects completed and in progress

4.1.1 Projects completed

Over the years, we have executed a number of design and fitting-out projects in Hong Kong, and design and procurement of furnishings and materials in Hong Kong, Singapore and Malaysia. Set out below the number of completed projects during the Track Record Period.

	For the year ended 31 March					
	2012		2013		2014	
	No. of projects	Revenue *HK$'000*	No. of projects	Revenue *HK$'000*	No. of projects	Revenue *HK$'000*
Design and fitting-out projects						
— Hong Kong	18	5,549.3	28	15,263.0	24	65,565.3
Design and procurement of furnishings and materials projects	4	399.0	9	28,690.2	10	23,791.6
— Hong Kong	4	399.0	5	16,718.9	7	6,057.1
— Singapore	—	—	4	11,971.3	2	922.5
— Malaysia	—	—	—	—	1	16,812.0
Total	22	5,948.3	37	43,953.2	34	89,356.9

We have completed a total of 22, 37 and 34 projects during the three years ended 31 March 2012, 2013 and 2014 respectively. Among the 18, 28 and 24 design and fitting-out projects, there were 8, 8 and 8 residential projects; 5, 15 and 9 hotel projects; 5, 3 and 7 commercial projects; nil, 1 and nil school projects and nil, 1 and nil other projects respectively. Among the 4, 9 and 10 design and procurement of furnishings and materials projects, there were 1, nil and nil residential projects; 1, 2 and 3 hotel projects; 2, 3 and 5 commercial projects; nil, 2 and 2 school projects and nil, 2 and nil other projects respectively.

Projects are regarded as completed when they are completed with relevant completion certificates issued. During the Track Record Period, the duration of our completed projects (based on the date of completion certificate issued) as set out below mostly fall within one year for both (i) design and fitting-out services and (ii) design and procurement of furnishings and materials services. However, the aforesaid duration of time varies on a case by case basis depending on its nature, complexity, scope of work and the number of additional variations over the original plan. For the table below, (1) commencement date of a project was determined mostly with reference to (i) the first day covered by insurance taken out for the project work site; or (ii) the date of receipt of first payment from customer; or (iii) customer confirmation of our Group's quotation; or (iv) the date our Group issued purchase order to our suppliers for the same project; and (2) completion date of a project was determined mostly with reference to (i) the date of completion certificate, or (ii) the date of delivery note for delivery of furnishings and materials to the project work site. All of these references are the closest reference to the commencement date or completion date of a project which our Directors can confirm.

Duration of projects completed during the Track Record Period

Duration	For the year ended 31 March 2012	2013	2014
1-30 days	7	9	6
31-60 days	2	5	4
61-90 days	5	2	4
91-180 days	1	7	10
181-365 days	6	11	7
Over 1 year	1	3	3
Total	22	37	34

When projects are in progress, it means that we have commenced work but have only recognised part of the revenue for accounting purpose at any point in time. A portion of contract sum for such projects in progress has not been realised in accordance to relevant accounting standards.

4.1.2 Projects in progress

As of 31 May 2014, there are 13 projects on hand (i.e. being work which had commenced and a portion of contract value had been recognised as revenue), or contracts being signed pending commencement of work; ten projects are related to design and fitting-out services in Hong Kong, two projects are related to design and procurement of furnishings and materials services in Hong Kong and one project is related to design and procurement of furnishings and materials services in Malaysia. Set out below are the particulars of these projects:

	No. of projects	Expected duration (month)	Total contract value *HK$'000*	Revenue recognised *HK$'000* (unaudited)	Remaining contract value *HK$'000*
Design and fitting-out projects — Hong Kong	10	12	68,676.3	8,525.7	60,150.6
Design and procurement of furnishings and materials projects					
— Hong Kong	2	12	31,379.0	528.1	30,850.9
— Malaysia	1	6	15,250.0	4,752.3	10,497.7

Set out below is an analysis of projects on hand breakdown by our major customers as at 31 May 2014 and the expected duration of the projects based on Directors' understanding:

Customer	**Project nature**	**Location**	**Contract value**	**Remaining contract value as at 31 May 2014**	**Percentage of the total remaining contract value as at 31 May 2014**	**Commencement/ expected commencement date**	**Expected completion as at 31 May 2014**
			HK$'000	*HK$'000*	*%*		
Customer R[1]	Project 1 — Design and fitting-out	Hong Kong	17,034.9	17,034.9	16.78	May 2014	June 2015
	— Design and procurement of furnishings and materials	Hong Kong	30,792.2	30,792.2	30.34	May 2014	June 2015
	Project 2[2,#] Design and fitting-out	Hong Kong	8,111.2	3,891.2	3.83	May 2014	July 2014
		Sub-total		51,718.3	50.95		
Customer A	Project 1 Design and procurement of furnishings and materials	Hong Kong	25,290.0	25,290.0	24.92	June 2014	June 2015
	Project 2[2] — Design and fitting-out	Hong Kong	1,723.9	62.8	0.06	May 2014	June 2014
	— Design and procurement of furnishings and materials	Hong Kong	586.7	58.6	0.06	May 2014	June 2014
		Sub-total		25,411.4	25.04		
Customer E*	Design and procurement of furnishings and materials	Malaysia	15,250.0	10,497.7	10.34	March 2014	August 2014
Customer U[2]	Design and fitting-out	Hong Kong	10,392.5	10,255.2	10.10	May 2014	October 2014
Customer T[2]	Design and fitting-out	Hong Kong	2,600.0	1,437.4	1.42	May 2014	June 2014
Customer J[2]	Design and fitting-out	Hong Kong	1,750.0	894.5	0.88	May 2014	June 2014
Customer N	Design and fitting-out	Hong Kong	1,061.9	1,016.7	1.00	January 2014	June 2014
Customer L	Design and fitting-out	Hong Kong	330.0	202.4	0.20	March 2014	May 2014
Customer D*	Design and fitting-out	Hong Kong	382.0	65.7	0.06	December 2013	May 2014
				101,499.3	100.00		

[1] Customer R is a construction company in Hong Kong. It was incorporated on 1 June 1982 and has since been engaged in the construction business for residential properties in Hong Kong. It is also on the List of Approved Contractors for Public Works of the Development Bureau of Hong Kong, and may tender for public work contracts in the "Buildings" category for a value of up to HK$185 million.

So far as our Directors are aware:

(i) the shareholders of Customer R are two individuals who are both Independent Third Parties;

(ii) neither Customer R nor its ultimate shareholders have any relationship or business dealings with any members of the Broader C Family or any non-Broader C Family members who are in the top 5 customer list of our Group during the Track Record Period;

(iii) the owner of the Happy Valley Project (as defined below) is a company incorporated in Hong Kong on 11 January 2007. Based on the Hong Kong company searches performed by the Sponsor on the Latest Practicable Date and public information from the website of the Happy Valley Project, our Directors believe that the owner of the Happy Valley Project and its current shareholders are Independent Third Parties; and

(iv) the owner of the Happy Valley Project and its ultimate shareholders are not shareholders of Customer R.

Customer R first became a customer of our Group in November 2013 and the contract sum involved in that particular project was approximately HK$818,000.

Mr. Chan, Mr. Fok and Mr. Tsang, being the executive Directors of our Company, have been acquainted with one of the individual shareholders of Customer R for over 3 years as they are members of a local branch of an international service organisation.

In April 2013, Customer R invited our Group to provide quotations for provision of both design and fitting-out services and design and procurement of furnishings and materials services for a residential property project in Happy Valley (the "**Happy Valley Project**"). The quotations provided by our Group were considered by Customer R during its participation in a competitive tendering process for the Happy Valley Project. According to the managing director of Customer R, it won the tender in around February 2014, and proceeded to select its service providers. After considering quotations from various service providers including our Group which had provided the quotations since April 2013, and having considered factors such as capability, workmanship, reputation, reliability and quoted price, our Group was engaged by Customer R in March 2014.

Our Sponsor has, during its due diligence process, conducted company searches on Customer R on the Latest Practicable Date and public information from the website of the Happy Valley Project, and interviewed a director who is also a shareholder holding 60% of the interest in Customer R. Based on the information provided to and reviewed by our Sponsor, namely (i) the Hong Kong company search conducted on Customer R and on the owner of the Happy Valley Project and its ultimate shareholders and (ii) the published and publicly available annual reports of member entities of Customer A, our Sponsor believes that: (i) Customer R and its directors and ultimate shareholders are Independent Third Parties and are not connected to the Broader C Family or any non-Broader C Family members who are in the top 5 customer list of our Group during the Track Record Period; and (ii) the Happy Valley Project and its ultimate shareholders are Independent Third Parties. In addition, there is nothing in the documents reviewed by our Sponsor as set out above suggests that the owner of the Happy Valley Project and its ultimate shareholders are connected to the Broader C Family.

This is a residential project located in Shaukeiwan ("**Shaukeiwan Project**"). Based on the information provided to and reviewed by our Sponsor, namely (i) the Hong Kong company search on the owner of the Shaukeiwan Project and its ultimate shareholders, (ii) the Hong Kong company search on the owner of the Happy Valley Project and its ultimate shareholders and (iii) the published and publicly available annual reports of member entities of Customer A, our Sponsor believes that the Shaukeiwan Project and its ultimate shareholders are Independent Third Parties. In addition, there is nothing in the documents reviewed by our Sponsor as set out above which suggests that the owner of the Shaukeiwan Project and its ultimate shareholders are connected to (i) the Broader C Family or (ii) the owner of the Happy Valley Project.

[2] Contracts signed after Track Record Period

* Please refer to the denotation on page 90 of this prospectus.

4.1.3 Recent development

For the two months ended 31 May 2014, our Group recorded total revenue of approximately HK$10.0 million, of which approximately HK$9.5 million was derived from Hong Kong, nil from Singapore and approximately HK$0.5 million from Malaysia representing approximately 95.23%, nil and 4.77% of the total revenue of our Group respectively.

For the two months ended 31 May 2014, our Group recorded a gross profit of approximately HK$2.9 million and the overall gross profit margin was approximately 28.90%. During the same period, gross profit for design and fitting-out services derived in Hong Kong, Singapore and Malaysia amounted to approximately HK$2.6 million, nil and nil respectively, and for design and procurement of furnishings and materials services were approximately HK$160,000, nil and HK$154,000 respectively. During the same period, gross profit margin for design and fitting-out services was approximately 28.62%, and gross profit margin for design and procurement of furnishings and materials was approximately 31.35%, which were similar to the 24.41% and 33.39% respectively recorded for the year ended 31 March 2014. Gross profit margin for design and procurement of furnishings and materials services remained higher than that for design and fitting-out services for the two months ended 31 May 2014, as was the case for the year ended 31 March 2014. For the two months ended 31 May 2014, the cost structure and expenses of our Group, other than listing expenses, remained stable as compared to the year ended 31 March 2014.

The aforesaid discussion of the selected financial information for the two months ended 31 May 2014 is based on our unaudited consolidated financial statements prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants for such relevant period.

During the two months ended 31 May 2014, our Group has 3 new customers, all of which were related to design and fitting out services and in aggregate contributed approximately HK$1.6 million in revenue to our Group.

Up to 31 May 2014, our Group has 13 projects on hand. With regard to those 13 projects on hand, ten projects related to design and fitting out services in Hong Kong two projects related to design and procurement of furnishings and materials services in Hong Kong and one project related relates to design and procurement of furnishings and materials services in Malaysia.

Our Directors confirm that (i) so far as they are aware, there were no material adverse changes in the market conditions, environment or the industry in which we operate in that had materially and adversely affected our financial or operating position since 31 March 2014 and up to the Latest Practicable Date, (ii) there had been no material adverse changes in the trading and financial positions or prospects of our Group since 31 March 2014 and up to the Latest Practicable Date, (iii) no event had occurred since 31 March 2014 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus; and (iv) there was no cancellation of major projects or orders, and no material default by customers during the Track Record Period and up to the Latest Practicable Date.

As disclosed in the section headed "Industry overview" of this prospectus, there is keen competition in the design and fitting-out and procurement industry in Hong Kong, Singapore and Malaysia. Our executive Directors have been in the industry for more than ten years and are familiar with the competitive landscape of the markets. As our Group provides one-stop integrated services from design to project implementation and procurements of furnishings and materials, we believe that such competitive strengths allow our Group to provide quality services to customers at reasonable prices. At the same time, our Group has over the years established and maintained good relationships with groups of sub-contractors and materials suppliers. Our Directors are of the view that given the scope of our projects, our operation cannot be easily taken over by any one of our sub-contractors, as they usually focus on one particular area of services such as woodwork, electrical work or cement or painting and usually lack the expertise in overall project management.

Taking into account the above reasons, as well as our Group's recent development, the number of contracts on hand and the financial performance of our Group during the Track Record Period, our Directors are of the view and the Sponsor concurs that our Group has the ability to sustain its business and to operate in this competitive industry.

4.2 Operational procedures

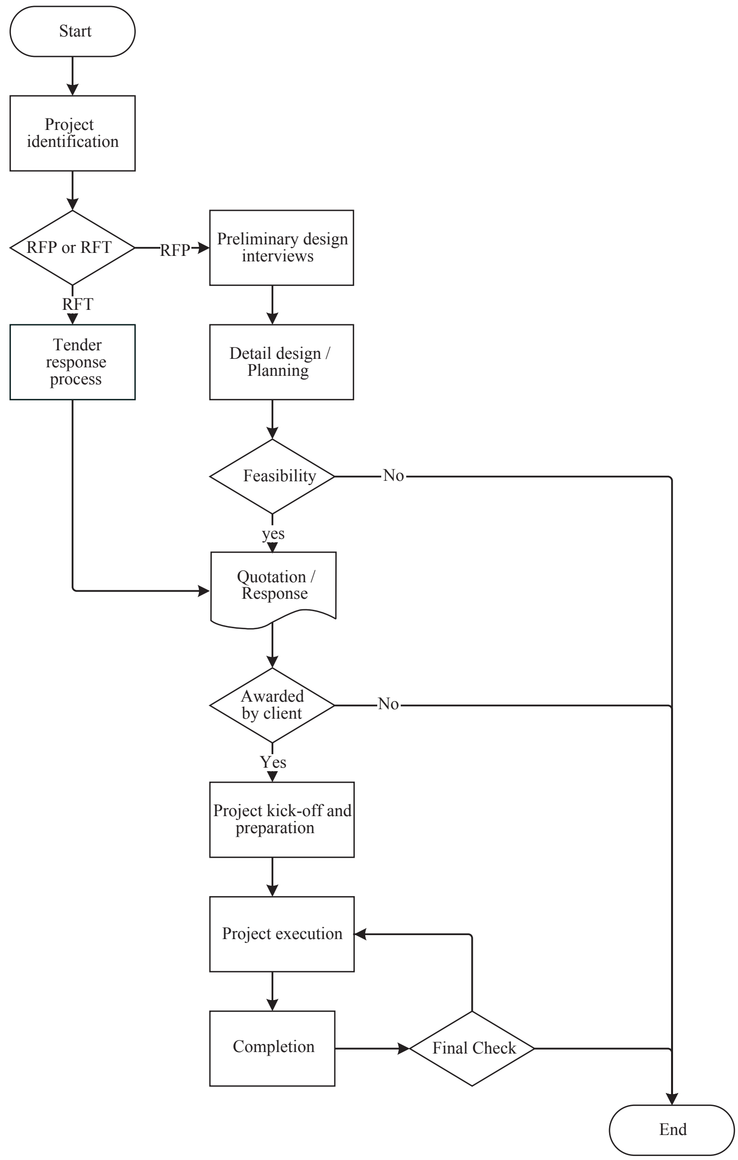
Our operational procedures generally involve the identification of potential projects, verification and outsourcing, project management and implementation. This applies to both our (i) design and fitting-out business and (ii) design and procurement of furnishings and materials business. Karlson, one of our principal operating subsidiaries, is a Registered Minor Works Contractor.

Apart from this, the Directors are not aware of any particular licensing requirement in respect of our Group's operation.

We have developed a set of operational procedures for our works which spreads across the three main pillars of our Group namely the Design Department, Project Department and Operation Department. The Design Department is responsible for all design aspects of the projects. The Project Department drives the execution of the projects and the Operation Department handles all logistics, purchasing, quantity surveying and administrative related tasks of the projects.

Projects are initiated either as a request for tender ("RFT") or a normal request for price quotation ("RFP") and our operational procedures cater for both scenarios.

For illustrative purposes, the flow of our operating procedures is outlined below:



4.2.1 Project identification

Projects are generally identified through existing customers and referrals. We also monitor news of our prospective customers on the internet for possible opportunities.

If an opportunity is identified, our executive Directors will preliminarily review such opportunity to determine whether it will be profitable and manageable by our Group. A decision to pursue an opportunity is then made based on the scope, complexity, feasibility and availability of resources.

After a positive indication of the preliminary feasibility of an opportunity, in the case of a new potential customer, we will assess and review their backgrounds, financial status and future development prospects through public searches.

The next steps involve in the operating procedure will be different depending whether the project is a "Request for Tender" or a "Request for Proposal" project.

4.2.2 "Request for Tender" ("RFT") Projects

In a RFT project, a consultative approach is usually not required. A RFT is usually formatted as a formal and structured invitation to tenderers to bid to supply services and/or products outlining the exact requirements for a project.

4.2.2.1 Pre-qualification

Pre-qualification is a common practice adopted by our potential customers in a RFT process. The potential customer normally requires each candidate to make a submission in order to assess its eligibility to respond to the RFT. We understand that potential customer may consider factors including track record in similar projects, organizational structure, proposed human resources for the project, proposal for undertaking the project and safety and environmental protection track records, etc.

Our Operation Department will submit the pre-qualification documents as required.

4.2.2.2 Tender analysis

Upon receipt of a RFT, our executive Directors will analyse the tender documents to identify the scope of works, costs, environment, quality, schedule, safety, statutory and technical requirements. This process is executed in order to determine the feasibility of a response, before assigning substantive resources to the further preparation of the response.

4.2.2.3 Preparation of response to tender

Preparation of a response to a tender is a relatively long and labour intensive procedure which mainly involves our Design Department and Operation Department. The process includes assessing the specified design and materials required, costing and pricing, cash flow analysis, competitor analysis and risk assessment. In pricing a response to a tender, we generally make reference to the information maintained in our database. These contain the historic quotations of materials suppliers and sub-contractors, the materials price trend and wage trend. We use this data to provide a cost estimate of the required services and materials to the customers. If the project involves new elements of which we have no information in our database, the Operation Department will obtain quotations from our pool of materials suppliers and sub-contractors for reference.

The time allowed by the potential customer to prepare the tender response varies from case to case, and depends on specific tender requirements of a project. Generally, it takes us about six days to two weeks from receipt of the tender documents to submission of the tender response.

4.2.2.4 Tender interviews

After the potential customer has received other tender proposals from other candidates, usually the potential customer may conduct interviews with potential candidates, at which if we were selected, our senior staff from Project Department will have the opportunity to provide detailed explanations on our proposal and provide consultative advice on the project. In some cases, depending on size and complexity of the proposal, we will provide the customer with a design sample or set up a showroom to further illustrate our proposal. The setup of the showrooms is coordinated by the Project Department.

4.2.2.5 Tender changes

If, during the tender response process, any changes are received, we will review and take into account all such changes and adjust our reply to the potential customer in the required format. In the preparation of our response, we take into account various possible risk factors in order to provide a feasibly budgeted, competitive and profitable tender for clients' consideration.

4.2.3 "Request for Proposal" ("RFP") Projects

4.2.3.1 Preliminary design interview

For RFP projects, usually our senior representative from the Design Department will meet with the potential customer for a preliminary design interview where we will engage with the potential customer in a consultative manner to clarify the general design concept.

If necessary, our 3D designer will then translate our proposal into a three dimensional illustration to illustrate our design.

In this stage of the process, we try to obtain an overview of the customers' requirements in order to determine the exact scope for the project. The primary constraints of time, money and resources will be addressed and will ultimately determine the feasibility of the project.

4.2.3.2 Detailed planning and design

If the preliminary design interview results in a positive indication of feasibility, we engage into a more detailed planning and design stage of the project. In this stage our Design Department and Operation Department will prepare the final design and quotation.

Costs analysis will be carried out on time, labour and materials in accordance with our cost analysis and control procedure. Similar to a RFT project, we will make reference to information maintained in our database and obtain quotation for elements that we do not have information to refer to.

During this stage of the process we will closely work with our potential customer to address possible questions and refinements in the design.

Similar to the RFT project, in some cases, dependent of project size and complexity, we will provide design samples or set up a showroom to further illustrate our proposal when necessary.

In general, the total planning stage will take approximately two to four weeks depending on the complexity of the project and the design. Upon finalization of the planning and design stage we will issue our formal proposal to the potential customer. In general, our proposals have a validity of seven days to avoid cost price and margin fluctuations upon acceptance of our proposal. After negotiation with the customer on terms and conditions, design, time line and materials, a formal contract is drawn out for final approval.

4.2.4 RFT Projects and RFP Projects in Singapore and Malaysia

During the Track Record Period, we had, after several years of co-operation in our design and fitting-out projects with Customer A in Hong Kong, been referred to by Customer A to Customer C. Customer C was the main contractor for a residential and hotel project of Customer A in Singapore. Our Group was invited to join a competitive tender by the professional team engaged for the aforesaid project in Singapore to provide design and procurement of furnishings and materials services for the hotel premises of that project.

While some customers in Singapore and Malaysia (including Customer E which, to the best of the Directors' knowledge, is majority owned by the controlling shareholder of Customer A) were initially referred by our business contacts or existing customers in Hong Kong, we have had to compete with other market players for these contracts and the processes of customer procurement in Singapore and Malaysia are competitive and similar to those described in the paragraphs 4.2.2 and 4.2.3. Our Group (via HSS) has successfully secured contracts under both RFT Projects and RFP Projects in Singapore and Malaysia.

During the Track Record Period, our Group had successfully secured two contracts under RFT Projects and three contracts under RFP Projects in Singapore, and one contract under RFP project and two contracts under RFT Projects in Malaysia.

4.2.5 Project kick-off and preparation

After we are awarded with the project, we will execute the project engaging several team members working together.

4.2.5.1 Tasks Allocation and Administration

Firstly, we will define the final project structure and assign the roles to the people in our Project Department for the execution of the works. Usually a senior member of the Project Department responsible for the overall coordination of the day to day operation of the project will be appointed. A member of the Project Department will be assigned to visit the site to provide on-site supervision and to assure correct and timely execution of the works.

The Project Director will then determine the final timeline for the project in line with the contractual agreements and scheduled on-site activities. The timeline will be divided into different tasks in order to properly monitor the progress of these tasks. These tasks will then be distributed to individual members of the Project Department for execution. The members assigned to different projects varies depending mainly on the complexity of the projects. The project timeline will show the work sequences and key dates. During the execution of the project, these dates and progress payment will be closely monitored to assure timely execution of the works.

At this stage, the Operation Department will purchase any necessary insurance for the project regulatory requirements.

4.2.5.2 Materials Suppliers and Procurement

Depending on project requirements, we may be required to purchase various furnishings and materials including cabinets, wardrobe, tables and chairs. Some projects require furnishings which will be crafted and manufactured by our materials suppliers according to our customers' specifications. We have a pool of sub-contractors and from which we normally request more than one of our materials suppliers to provide us with their quotations for comparison purpose. We select materials suppliers for each project based on the customers' specification, which is normally either monetary or quality driven.

The description and type of the proposed materials will be approved by the customer prior to placing order. Once approved by our customer, we will issue purchase orders to the selected materials suppliers with the agreed specification of the materials, delivery schedule and terms of deposit payment. Cost of purchasing furnishings and materials are mostly borne by our Group and such cost and potential price fluctuation had already been taken into account when we prepare the quotation for our customers.

4.2.5.3 Sub-contractors

When we provide design and fitting-out services, we act as the key coordinator of our main contractors and are usually responsible for the overall project management and arrangement for the necessary labour to execute the projects. However, we do not directly employ any workers for labour intensive works such as plumbing, air conditioning work, sprinkler systems and fire hydrants installation, electrician work, plaster and cement work, carpentry, painting, demolition, and logistics etc. These works are outsourced to our independent sub-contractors. With the use of sub-contractors, we can undertake labour intensive works as well as works involving specified construction skills through a significant pool of workers and technical staff in a wide variety of specific skills without the need for keeping them under permanent employment, thereby bringing economic benefits to our Group. Save for the registration of Minor Work Contractors which may be required for certain type of construction works, our sub-contractors are not required to hold any particular licence for fitting-out services.

For our business of design and procurement of furnishings and materials, the works required are mainly assembly and logistics works while construction works (e.g. demolition, painting or electrical works) are not required. We will outsource any labour intensive assembly and logistics works to our independent sub-contractors as well.

For works that only require labour and the cost is based on the recommended rate by the Hong Kong Construction Industry Employees General Union, we will first check the availability of our independent sub-contractors to ensure timely availability of services before appointing them. As for those works which require our independent sub-contractors to provide their own materials such as paint and cement, we normally request more than one of our sub-contractors to provide us with their quotations for comparison purpose. We select sub-contractors for each project based on customer specifications which is normally either monetary or quality driven.

Once we have selected the relevant sub-contractors, our Operation Department will enter into contracts with our independent sub-contractors and issue purchase orders to the sub-contractors with agreed conditions of the engagement. For details on our Group's sub-contractors, please refer to the paragraph headed "6.2 sub-contractors" in this section.

Our independent sub-contractors generally use finishing materials such as marbles and tiles provided by us which we source from our materials suppliers in order to maintain quality and continuous supply throughout the design process.

4.3 Project execution

In the project execution stage of the project, our Project Department oversees and manages the execution of the works according to the set timetable, design and contractual conditions. Our Project Department will make frequent visits to the site during the execution of works by our sub-contractors.

4.3.1 Progress meetings

Frequent meetings, both internally and with the customers and other parties involved are held to update such parties on progress, and possible scope change due to unforeseen occurrences or by customer's request for variation.

Generally, customers have the right to vary their orders during the course of the project. This request would initiate a change of scope. In this case, the request for variation will be evaluated by us. An assessment will be made on the impact to costs, duration and resources of the running project. If either of these factors exceeds our initial plan, the request for change may not be granted, and maybe declined.

4.3.2 Inspection and quality control

In the course of works, members of our Design Department and Project Department will conduct inspection on works completed. This is done to ensure that the works performed by our Group, our materials suppliers and our sub-contractors comply with the requirements as set out in the contract. Inspections are sometimes carried out on site together with our customers.

To assure the quality of furnishings which our materials suppliers, we normally send a member of the Operation Department to the materials supplier's site to perform on-site quality assurance of the products. We will also oversee the final packaging and shipment of the furnishings to prevent possible damages during transportation to the project site. Final inspection will also be carried out when the furnishings arrive at the project site to ensure no major damages are caused during the transportation process. Defective materials found during any stage of our inspection will be rejected or returned to the materials supplier for replacement. For materials such as marbles and tiles, samples produced by the materials supplier are normally sent to us for inspection before they are produced in bulk. On-site inspection will then be performed by us when these materials are delivered and installed to the project sites.

Arrangements will be made with the materials suppliers and logistic companies to arrange shipments of the products to the project site where possible. By doing so, we will prevent storage and forwarding of the products, further minimising the risk of damages and thereby improving overall efficiency and costs. Therefore, we do not carry inventories of materials.

4.3.3 Progress payment

Based on requests for payments, followed by inspection and certification for progress payment, payments will be made to our sub-contractors and materials suppliers. For details of the payment terms with our independent sub-contractors and materials suppliers, please refer to the sub-paragraphs headed "Sub-contractors" and "Materials suppliers" in the paragraph headed "Credit management" in this section of the prospectus.

Similarly, based on progress of the project agreed by us and the customers, we will issue requests for payments to our customer. For details of the payment terms with our customers, please refer to the paragraph headed "Customers" in this section of the prospectus.

4.4 Completion

In the completion stage of the project, we will usually do a final site check together with the customer to certify all works are completed in accordance with the design specifications and customer requirements. After acceptance of the works by the customer, the project will formally be closed, final payment requests will be issued, and the defect liability period will commence.

4.4.1 Defect liability period

Normally our customers for hotels, commercial and retail projects would require a defect liability period, during which we are responsible to rectify defects. The defect liability period generally lasts from one month to one year, depending on the types of work. This period begins after the project completion and handover. Under the usual terms of our contracts, we are liable to rectify all defective works during the defect liability period, if any.

During the Track Record Period, we have not experienced any material claim by our customers in respect of the projects completed by us.

5. Sales and marketing

Our Chairman and executive Director, Mr. Chan leads staff from different departments within our Group to assist in the marketing and promotion of our brand and/or our business. Mr. Chan also procures customers via his personal network and business contacts established over the years. For marketing and sales, our primary focus lies on new hotel developments and refurbishment projects. In order to enhance our brand and gain market visibility, we attend relevant trade fairs and exhibitions.

6. Credit management

Our Directors believe that our flexible approach to credit management significantly contributes to the goodwill and long standing relationships with our customers, sub-contractors and materials suppliers.

6.1 Customers

Before deciding whether to submit a proposal to a potential customer, we normally consider factors such as the background, reputation and creditworthiness of the customer. In the case of a RFT, we normally take note of the key contract terms concerning deposits, progress payments and retention money outlined in the relevant tender documents and consider these terms in our decision to partake in the invitation.

Our Group does not have a standardised credit period that is granted to our customers. The credit period of individual customers is considered on a case-by-case basis and greatly dependent on the history of the relationship with such customers and the type of works demanded from our Group. We keep record of the payments from each customer pursuant to the terms of each respective contract. During the Track Record Period, there were no material incidents in which we failed to receive payments from customers due to their financial problems. For details of the payment terms with our customers, please refer to the paragraph headed "7.4 Key terms of customer contracts" in this section of the prospectus.

6.2 Sub-contractors

We generally pay our sub-contractors in the form of progress payments. Sub-contractors are required to submit a request for payment upon completion of certain stage of the works. Completed works are then certified by our Project Department before payment is made. Progress payments are generally made within seven days by cheque or telegraphic transfer after we received and verified the sub-contractor's request. For works involving engagement of self-employed workers, we pay them by cheque every two weeks.

During the Track Record Period, there were no material incidents in which we failed to remunerate our sub-contractors.

6.3 Materials suppliers

We normally pay our materials suppliers in the form of progress payments which usually are tied in with the number of units produced and delivered to the project site. Materials suppliers are required to submit a request for payment on completion of certain products. Our Project Department will inspect and certify the materials supplier's claims before payment is made. Payments to materials suppliers are generally made within seven days by cheque or telegraphic transfer after we have received and verified the request.

6.4 Accounts receivable history

During the Track Record Period, our average accounts receivable turnover days were 48.2, 52.0 and 74.7 days respectively. Please refer to further discussion in the paragraph headed "Debtor turnover days" in the section headed "Financial information" of this prospectus.

During our Track Record Period, we did not experience any material collectability problem for our trade and retention money receivables. The provision for impairment of trade and retention receivables are made when there is objective evidence that our Group will not be able to collect part or all of the amounts due under the original terms of the invoice. Such evidence may include probability of insolvency or significant financial difficulties of the debtor, significant changes in market, economic or legal environment that have an adverse effect on the debtor, or debtor's refusal of payment due to disagreement.

6.5 Retention money receivable history

Set out below is the table of movement of retention money receivables during the Track Record Period:

	HK$'000
Opening balance as at 1 April 2011	0
Addition during the year	355.8
Balance as at 31 March 2012	355.8
Settlement during the year	(275.4)
Balance as at 31 March 2013	80.4
Allowance for doubtful debts during the year (for details, please refer to note 17 of the Accountants' Report on page I-34 of this prospectus)	(80.4)
Balance as at 31 March 2014	0

As at 31 March 2012, 2013 and 2014, our Group recorded retention money receivables of approximately HK$355,800, HK$80,400 and nil respectively. In accordance with the payment terms with customers on certain projects, customers may retain approximately 5% to 10% of the contract value as retention money and release such sum when identified defects have been rectified or when the defects liability period expires. Expenditure incurred for rectification of defects identified in the projects for which our Group had recorded retention money receivables amounted to approximately HK$36,300, HK$55,300 and nil for the year ended 31 March 2012, 2013 and 2014 respectively.

7. Customers

7.1 Breakdown by types of customers

Set out below is the table of our revenue breakdown by types of customers:

	For the year ended 31 March					
	2012		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Design and fitting-out projects:						
Corporate	52,117.3	91.47	43,060.2	58.74	64,282.2	67.04
Individuals	4,339.6	7.62	1,559.1	2.12	4,263.7	4.45
Sub-total	*56,456.9*	*99.09*	*44,619.3*	*60.86*	*68,545.9*	*71.49*
Design and procurement of furnishings and materials projects:						
Corporate	520.9	0.91	28,690.2	39.14	27,340.7	28.51
Individuals	—	—	—	—	—	—
Sub-total	520.9	0.91	28,690.2	39.14	27,340.7	28.51
Total	**56,977.8**	**100.00**	**73,309.5**	**100.00**	**95,886.6**	**100.00**

As explained above, over the years since our inception of business, we have expanded our types of customers from individuals to corporate customers. For the year ended 31 March 2012, revenue was generated mainly from corporate customers for both types of projects; of which approximately HK$52.6 million were attributable from 34 projects which were corporate customers (representing approximately 92.38% of the total revenue of our Group) and approximately HK$4.3 million were attributable from seven projects which were individuals (representing approximately 7.62% of the total revenue of our Group) respectively.

For the year ended 31 March 2013, revenue continued to be generated mainly from corporate customers; of which approximately HK$71.8 million were attributable from 44 projects from corporate customers (representing approximately 97.87% of the total revenue of our Group) and approximately HK$1.6 million were attributable from four projects which were individuals (representing approximately 2.13% of the total revenue of our Group) respectively. In terms of the increase in revenue, this was particularly due to our success in securing a major contract for the design and procurement of furnishings and materials in the year ended 31 March 2013 for the renovation of a hotel in Singapore.

For the year ended 31 March 2014, approximately HK$91.6 million of our revenue were generated from 37 projects from corporate customers (representing approximately 95.55% of the total revenue of our Group) and approximately HK$4.3 million of our revenue were generated from five projects from individuals (representing approximately 4.45% of the total revenue of our Group) respectively. In terms of the increase in revenue we believe, this was due to our continuing success in securing contracts for design and fitting-out services as well as design and procurement of furnishings and materials services.

7.2 Our customers

Our customers in Hong Kong and Singapore include hotel owners and operators, school operators and restaurant owners.

7.2.1 Details of the top 5 customers of our Group during the Track Record Period and the next four largest customers which are not members of the Broader C Family

Customer A was the largest customer of our Group for the three years ended 31 March 2012, 2013 and 2014. Revenue derived from Customer A accounted for approximately 75.50%, 48.11% and 29.23% respectively of the total revenue of our Group. For the three years ended 31 March 2012, 2013 and 2014, revenue derived from our five largest customers amounted to approximately 95.00%, 96.24% and 87.80% respectively of the total revenue of our Group. For illustration, if members of the Broader C Family, though each of them is an Independent Third Party, were to be categorised as a single customer, our Group derived an aggregate revenue from such customer of approximately HK$47.3 million, HK$36.8 million and HK$50.8 million respectively in each year during the Track Record Period, representing approximately 83.09%, 50.18% and 53.02% of our Group's total revenue for the three years ended 31 March 2012, 2013 and 2014 respectively. If the Broader C Family were to be categorised as a single customer, revenue derived from it aggregated together with the next four largest customers would amount to approximately HK$55.3 million, HK$71.6 million and HK$90.1 million respectively, representing approximately 97.00%, 97.71% and 93.95% of our Group's total revenue during the Track Record Period. Details of the revenue from these customers during the Track Record Period and the number of years of business relationship with our Group are set out below.

Save for approximately HK$585,000 of revenue generated from related parties for the year ended 31 March 2012, as described in note 30(a) of the accountants' report set out in Appendix I to this prospectus, all revenue during the Track Record Period was derived from Independent Third Party Customers.

For the year ended 31 March 2012

Customer	Customer's business nature	Services provided	Revenue recognised *HK$'000*	% of total revenue	Rank	Business relationship since
Broader C Family *(Note)*						
Customer A	A corporation in the Asia Pacific region with core businesses in property development, hospitality and car park operations, and the shares of the holding company and one of its subsidiaries are listed on the Main Board of the Stock Exchange	Design and fitting-out services	43,016.6	75.50%	1	2005
Customer H	A businessman in Hong Kong who is the controlling shareholder of Customer A and, to the best of our Directors' knowledge, majority owns Customer E	Design and fitting-out services	3,579.6	6.28%	3	2010
Customer L	A Hong Kong company engaged in investment holding	Design and fitting-out services	631.3	1.11%	6	2011
Other members of the Broader C Family ("Other Members")	Individuals and/or companies controlled by any of the Other Members	Design and fitting-out services	116	0.20%	—	2011
		Sub-total *(Note)*	47,346.7	83.10%		
Non-Broader C Family						
Customer G	A Hong Kong company engaged in design business	Design and fitting-out services	4,340.2	7.62%	2	2010
Customer I	A Hong Kong company engaged in manufacturing business	Design and fitting-out services	2,252.8	3.95%	4	2010
Customer J	A Hong Kong company engaged in restaurant business	Design and fitting-out services + Design and procurement of furnishings and materials	939.3	1.65%	5	2009
Customer O	A Hong Kong company engaged in investment holding	Design and fitting-out services	387.3	0.68%	7	2011

Note: Each of the above members of the Broader C Family is an Independent Third Party customer of our Group. Revenue derived from such customers is set out in aggregate for illustration purposes only. Please refer to pages 90 to 92 for further details of the Broader C Family.

For the year ended 31 March 2013

Customer	Customer's business nature	Services provided	Revenue recognised *HK$'000*	% of total revenue	Rank	Business relationship since
Broader C Family *(Note)*						
Customer A	A corporation in the Asia Pacific region with core businesses in property development, hospitality and car park operations, and the shares of the holding company and one of its subsidiaries are listed on the Main Board of the Stock Exchange	Design and fitting-out services	35,268.8	48.11%	1	2005
Customer H	A businessman in Hong Kong who is the controlling shareholder of Customer A and, to the best of our Directors' knowledge, majority owns Customer E	Design and fitting-out services	617.1	0.84%	6	2010
Customer L	A Hong Kong company engaged in investment holding	Design and fitting-out services	904.6	1.23%	5	2011
		Sub-total *(Note)*	36,790.5	50.18%		
Non-Broader C Family						
Customer B	A school in Hong Kong	Design and procurement of furnishings and materials	19,638.5	26.79%	2	2012
Customer C	A construction company in Singapore	Design and procurement of furnishings and materials	11,771.8	16.06%	3	2012
Customer K	A Hong Kong company engaged in shipping business	Design and fitting-out services	2,971.5	4.05%	4	2012
Customer I	A Hong Kong company engaged in manufacturing business	Design and fitting-out services	456.0	0.62%	7	2010

Note: Each of the above members of the Broader C Family is an Independent Third Party customer of our Group. Revenue derived from such customers is set out in aggregate for illustration purposes only. Please refer to pages 90 to 92 for further details of the Broader C Family.

For the year ended 31 March 2014

Customer	Customer's business nature	Services provided	Revenue recognised *HK$'000*	% of total revenue	Rank	Business relationship since
Broader C Family *(Note)*						
Customer A	A corporation in the Asia Pacific region with core businesses in property development, hospitality and car park operations, and the shares of the holding company and one of its subsidiaries are listed on the Main Board of the Stock Exchange	Design and fitting-out services	28,025.6	29.23%	1	2005
Customer E*	A company engaged in hotel development and management in Malaysia and, to the best of our Directors' knowledge, being majority owned by Customer H	Design and procurement of furnishings and materials	20,481.1	21.36%	2	2013
Other members of the Broader C Family ("Other Members")	Individuals and/or companies controlled by any of the Other Members	Design and fitting-out services	2,328.8	2.43%	7	2011
		Sub-total *(Note)*	50,835.5	53.02%		
Non-Broader C Family						
Customer D*	A group in Hong Kong engaged in the hospitality business	Design and fitting-out services	19,155.7	19.98%	3	2011
Customer F	A Hong Kong company engaged in beauty services	Design and fitting-out services	10,729.7	11.19%	4	2013
Customer M	A specialized school in Hong Kong	Design and procurement of furnishings and materials	5,793.6	6.04%	5	2013
Customer N	Individuals	Design and fitting-out services	3,566.0	3.72%	6	2013

* For identification purpose, (i) "Customer E" mentioned above for the year ended 31 March 2014 is the same customer being identified as "Customer D" in note 8 of the Accountants' Report; and (ii) "Customer D" mentioned above is the same customer being identified as "Customer E" in the Accountants' Report.

Note: Each of the above members of the Broader C Family is an Independent Third Party customer of our Group. Revenue derived from such customers is set out in aggregate for illustration purposes only. Please refer to pages 90 to 92 for further details of the Broader C Family.

7.2.2 Relationships among certain top customers of our Group

To the best knowledge of our Directors, while (i) each of the abovementioned customers is a separate party and/or business which has its own separate decision and independent making process/team, (ii) each major project/contract of our Group was secured by reference to each customer's own criteria in a competitive process; and (iii) they are different clients. Accordingly, each member of the Broader C Family (be it an individual or corporation) is an Independent Third Party. The relationships among certain top customers of our Group are set out below:

(i) Customer H, Customer E and Customer A*

Customer H, an individual, is a member of the Broader C Family. Customer H is the controlling shareholder, chairman, chief executive officer and executive director of the holding company of Customer A and, to the best of our Directors' knowledge, majority owns Customer E which is a private company.

Customer E is not a member of Customer A.

(ii) Individual C and Customer B

Individual C is a member of the Broader C Family and a non-executive director of Customer A.

Customer B is a company incorporated in Hong Kong with liability limited by guarantee and is an approved charity[1]. Customer B is not a member of Customer A or the Broader C Family. Individual C is not a director of Customer B. Based on publicly available information, Individual C is one of the five directors of a management services company providing service to Customer B.

(iii) Customer C and Customer A

Customer C is the main contractor of a residential and hotel project of Customer A in Singapore. Our Group was invited to join a competitive tender by the professional team engaged for the aforesaid project (including Customer C) to provide design and procurement of furnishings and materials services for the hotel premises of that project. Although it is assumed that Customer A is indirectly responsible for payment of our fees, the customer of our Group in this project is Customer C, and this project is supervised by Customer C, being a construction company in Singapore[2] which, so far as our Directors are aware, has no connection with Customer A or the Broader C Family.

(iv) Customer H and Customer L

Customer L is the family interest of the son-in-law of Customer H.

1 Customer B is a company limited by guarantee with charitable status under section 88 of the Inland Revenue Ordinance. Its object is to establish a non-profit making school. Its members shall not be paid or transferred any income or property of Customer B and no member of the board of governors shall be appointed to any salaried office of Customer B. Based on information available in the public domain, the family trust of Individual C (another member of the Broader C Family) owns the majority shareholdings of the holding company of a management company of Customer B and he is one of the five directors of this management company. However it was Customer B that awarded the contract to the Group and Customer B has a separate board of governors. Individual C's directorship in the aforesaid management company does not suggest he has any special influence in Customer B or any special influence over Customer B's awarding of contracts.

2 Customer C is registered with the Building Construction Authority of Singapore as an A1 graded contractor for building works, a C1 contractor for civil engineering works and a L3 contractor for piling works. It also has a General Builder Class 1 license as well as a Specialist Builder (Piling Works) license and a Specialist Builder (Structural Steelwork) license.

* Please refer to the denotation on page 90 of this prospectus.

7.2.3 Revenue contributed by the Broader C Family and other customers who are non-Broader C Family but in the top 5 customers during the Track Record Period

Given the relationships among certain top customers of our Group as described above, set out below is a table of revenue contributed by the Broader C Family and other customers who are non-Broader C Family but in the top 5 customers during the Track Record Period.

Broader C Family

	For the year ended 31 March					
	2012		**2013**		**2014**	
Customer	*Revenue recognised HK$'000*	*% of total revenue*	*Revenue recognised HK$'000*	*% of total revenue*	*Revenue recognised HK$'000*	*% of total revenue*
Customer A	43,016.6	75.50	35,268.8	48.11	28,025.6	29.23
Customer H	3,579.6	6.28	617.1	0.84	0.00	0.00
Customer E*	0.0	0.00	0.0	0.00	20,481.1	21.36
Customer L	631.3	1.11	904.6	1.23	0.00	0.00
Other members of the Broader C Family	116.0	0.20	0.0	0.00	2,328.8	2.43
Sub-total	47,343.5	83.09	36,790.5	50.18	50,835.5	53.02

Non-Broader C Family but in the top 5 customers during the Track Record Period

	For the year ended 31 March					
	2012		**2013**		**2014**	
Customer	*Revenue recognised HK$'000*	*% of total revenue*	*Revenue recognised HK$'000*	*% of total revenue*	*Revenue recognised HK$'000*	*% of total revenue*
Customer B	118.7	0.21	19,638.5	26.79	0.00	0.00
Customer C	0.0	0.00	11,771.8	16.06	922.5	0.96
Customer D*	0.0	0.00	0.0	0.00	19,155.7	19.98
Customer F	0.0	0.00	0.0	0.00	10,729.7	11.19
Customer G	4,340.2	7.62	0.0	0.00	0.0	0.00
Customer I	2,252.8	3.95	0.0	0.00	0.0	0.00
Customer J	939.3	1.65	0.0	0.00	0.0	0.00
Customer K	0.0	0.00	2,971.5	4.05	0.0	0.00
Customer M	0.0	0.00	0.0	0.00	5,793.6	6.04
Sub-total	7,651.0	13.43	34,381.8	46.90	36,601.5	38.17

Note: Shaded figures denote top 5 customers during the relevant year of the Track Record Period.

* Please refer to the denotation on page 90 of this prospectus.

7.2.4 Revenue from customers contributing over 10% of the total revenue of our Group during the Track Record Period

Set out below is a table of revenue from customers contributing over 10% of the total revenue of our Group during the Track Record Period.

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Customer A	43,017	34,719	28,026
Customer B	N/A[1]	19,639	N/A[1]
Customer C	N/A[1]	11,772	N/A[1]
Customer E*	N/A[1]	N/A[1]	20,481
Customer D*	N/A[1]	N/A[1]	19,156
Customer F	N/A[1]	N/A[1]	10,730

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

* Please refer to the denotation on page 90 of this prospectus.

Our target market in Hong Kong mostly consists of hotel owners and operators. We recognise these market conditions as a common occurrence in our industry in Hong Kong and are not specific to our Group. With the growing hospitality industry in Hong Kong, we expect the number of potential customers to grow accordingly. Furthermore, we believe the development of our design and procurement of furnishings and materials business in overseas and local markets will allow us to further diversify our customer portfolio.

We maintain a good relationship with our customers and during the Track Record Period, we have no material dispute with our customers.

None of our Directors, their associates or any Shareholders (which to the best knowledge of our Directors will own more than 5% of the issued share capital of our Company immediately upon completion of the Placing and Bonus Issue) had any interest in our five largest customers as at the Latest Practicable Date.

7.3 Reducing reliance on Customer A

Customer A was our largest customer for the three years ended 31 March 2012, 2013 and 2014, contributing approximately 75.50%, 48.11% and 29.23% of our revenue respectively. We expect that Customer A will likely continue to be one of our top five customers until considerable business development has been achieved following our Listing.

During the Track Record Period, our major customers include the Far East Group, Nha Trang Vietnamese Cuisine and Metropark Hotel Kowloon. We have an established business relationship of over five years with certain of our customers, mainly the Far East Group. We also have business relationships with certain other customers as shown in the tables above since they are recurring customers. Far East Group has been and will likely continue to be one of the major customers of our Group, and during the Track Record Period, our Group continuously secured new contracts from them for different projects.

We have been successful in the year ended 31 March 2013 and 2014 in securing other contracts to dilute the concentration of business with Customer A. During the Track Record Period, our Group has been diversifying our customer portfolio and expanding the number of projects undertaken. Set out below are the number of customers, number of contracts undertaken and revenue contribution breakdown by new and recurring customers:

Revenue contributed by new customers

	No. of projects from new customers undertaken	**No. of new customers**	**Revenue contribution of new customers** *HK$'000* (unaudited)	**% of total revenue contributed by new customers**	**Total segment revenue** *HK$'000* (unaudited)
For the year ended 31 March 2012					
— Design and fitting-out — Hong Kong	14	14	3,903	6.85%	56,457
— Design and procurement of furnishings and materials — Hong Kong	4	2	122	0.21%	521
For the year ended 31 March 2013					
— Design and fitting-out	9	8	4,625	6.31%	44,620
— Design and procurement of furnishings and materials *(Note)*	5	3	28,252	38.54%	28,690
Hong Kong	2	1	16,365	22.32%	16,719
Singapore	3	2	11,887	16.22%	11,971
Malaysia	—	—	—	—	—
For the year ended 31 March 2014					
— Design and fitting-out	9	7	5,970	6.23%	68,546
— Design and procurement of furnishings and materials	5	2	26,275	27.40%	27,341
Hong Kong	2	1	5,794	6.04%	5,938
Singapore	—	—	—	—	922
Malaysia	3	1	20,481	21.36%	20,481

Note: A customer was considered as a new customer in the year ended 31 March 2013 although our Group had rendered an insignificant amount of services to it during the year ended 31 March 2012.

Revenue contributed by existing customers

	No. of projects from existing customers undertaken	No. of existing customers	Revenue contribution of existing customers *HK$'000* (unaudited)	% of total revenue contributed by existing customers	Total segment revenue *HK$'000* (unaudited)
For the year ended 31 March 2012					
— Design and fitting-out — Hong Kong	19	7	52,554	92.24%	56,457
— Design and procurement of furnishings and materials — Hong Kong	4	3	399	0.70%	521
For the year ended 31 March 2013					
— Design and fitting-out	30	13	39,995	54.56%	44,620
— Design and procurement of furnishings and materials	4	2	438	0.60%	28,690
Hong Kong	3	1	354	0.48%	16,719
Singapore	1	1	84	0.11%	11,971
Malaysia	—	—	—	—	—
For the year ended 31 March 2014					
— Design and fitting-out	22	8	62,576	65.26%	68,546
— Design and procurement of furnishings and materials	7	4	1,066	1.11%	27,341
Hong Kong	5	3	144	0.15%	5,938
Singapore	2	1	922	0.96%	922
Malaysia	—	—	—	—	20,481

As shown above, our Group was able to secure contracts from existing customers as well as new customers during the Track Record Period. Our Directors believe that new customers are usually referred to us by existing customers or by those with knowledge of our services and quality, or through personal and business contacts of our Directors.

We have and will continue (as appropriate) to participate in trade fairs and exhibitions in Guangzhou and Dubai in the future with a view to further market ourselves and/or our "HSI" brand as well as to increase market awareness of our services. According to the Postshow Report 2013 of the International Design Exhibition United Arab Emirates, the exhibition held in Dubai in year 2013, attracted 20,000 visitors from over 100 countries, out of which over 15,000 were trade visitors. Around 4.2% of visitors were from Asia Pacific and South East Asia.

7.4 Key terms of customer contracts

A summary of the key terms of our major customer contracts which applies to both our (i) design and fitting-out business and (ii) design and procurement of furnishings and materials business is set forth below:

(a) *Scope of works, contract sum and period:* the scope of works and contract period of the project will be specified in our contracts with our customers. The projects awarded to us during the Track Record Period and up to 31 May 2014 were fixed price contracts where a fixed price is specified in the contract for all of the works to be performed by us (subject to variation as agreed with customers) in accordance with its terms.

(b) *Deposits:* A deposit representing approximately 10% to 50% of the contract sum, depending on the scale of the project and terms of the contract agreed, is usually paid by our customers upon signing of the contract and before commencement of a project. Our Directors confirm that it is the normal practice in the design and fitting-out industry for our Group to request for deposits upon signing of the contract and before commencement of the fitting-out work on site.

(c) *Progress payment and retention money:* Payment arrangement with our customers varies depending on the nature, scale and length of the project and subject to negotiation with the customer. Certain customers prefer 50% paid as deposit while the remaining balance be paid upon completion, while others will agree with us for progress payment based on the progress of works and delivery of furnishings and materials procured by us. The customers will make payments with reference to progress of work done. As in most design and fitting-out projects, the customers may retain a percentage of the total contract sum as retention money under the terms of the contract. In our projects, the retention money normally represents approximately 5% to 10% of the contract sum. Generally, the retention money will be released when identified defects have been rectified or when the final payment is due to be settled, which is, in the best knowledge of the Directors, in conformity to the industry practice. Our Directors believed that the arrangement is the normal payment term in the industry.

(d) *Bank guarantee:* In order to secure due and timely delivery of the project by our Group, our customers may request a bank guarantee to be taken out by us in their favour. Generally, the amount required to be taken out by us does not exceed 10% of the total contract sum and the guarantee will be released upon completion of the project.

(e) *Defect liability period:* the customers would normally require a defect liability period, during which we are responsible to rectify works defects. The defect liability period generally lasts for one month to one year, depending on the types of works and customer's requirement.

8. Materials suppliers and sub-contractors

During the Track Record Period, our suppliers included materials suppliers and sub-contractors. All materials suppliers and sub-contractors were Independent Third Parties.

The following table sets out the background of our top five suppliers and the length of their respective business relationships with our Group during the Track Record Period.

For the year ended 31 March 2012

Supplier/and Sub-contrator	Services/product	Amount paid	% of total cost of sales	Business relationship since
		HK$'000		
Materials supplier A	Furnishings and materials	6,726.9	14.88%	2010
Materials supplier B	Furnishings and materials	4,022.3	8.90%	2011
Worker A *(Note)*	Manual work — woodwork	3,541.7	7.84%	2011
Sub-contractor A	Plaster and cement services and materials	2,871.9	6.35%	2011
Materials supplier C	Furnishings and materials	2,126.0	4.70%	2007

Note: Wages paid to Worker A for the year ended 31 March 2012 included fees of approximately HK$3.1 million for around 69 other workers coordinated by Worker A. All necessary tax reporting requirements in relation to the amount paid to Worker A for the year ended 31 March 2012 has been complied with.

For the year ended 31 March 2013

Materials supplier C	Furnishings and materials	10,247.9	23.00%	2007
Materials supplier F	Furnishings and materials	4,654.8	10.45%	2011
Sub-contractor D	Painting and materials	2,886.4	6.48%	2011
Sub-contractor A	Plaster and cement services and materials	2,881.4	6.47%	2011
Materials supplier G	Kitchen cabinetry and home appliances	1,950.0	4.38%	2012

For the year ended 31 March 2014

Materials supplier C	Furnishings and materials	10,186.2	14.55%	2007
Materials supplier A	Furnishings and materials	5,712.9	8.16%	2010
Materials supplier H	Furnishings and materials	2,599.8	3.71%	2012
Materials supplier F	Furnishings and materials	2,429.1	3.47%	2011
Materials supplier B	Furnishings and materials	2,200.4	3.14%	2011

8.1 Materials suppliers

The major items that we purchased include cabinets, bed frames, wardrobes, tables, chairs and table lamps that are manufactured according to our customers' specification. Some of our materials suppliers are located in Hong Kong with their manufacturing facility situated in the PRC. As at the Latest Practicable Date, we have a pool of over 30 materials suppliers from which we select for each project. This pool of materials suppliers are reviewed, determined and updated on an ongoing basis by our management according to their ability, skills and quality and some of which have been working with our Group for over eight years. We do not have long term agreements with our materials suppliers and we will enter into contracts with them on a project basis. Over the years, we have been working closely with our materials suppliers, which normally includes on-site quality inspections, and have maintained good relationships with them. Nonetheless, our Directors believe that we do not depend on any of our materials suppliers as we have alternative materials suppliers for all major materials. During the Track Record Period, we have not encountered any material difficulties in procuring materials and we have not experienced any significant delay in delivery of materials by our materials suppliers causing material disruption of our projects. To the best of our Directors' knowledge, our staff were not aware of and had not noticed any abusive labour practice during on-site quality inspection in the manufacturing facilities of our materials suppliers situated in the PRC. Our Directors are not aware of any use of wood from illegal sources for the production of furnishings and materials supplied to our Group. Meanwhile, our Group has required our major materials suppliers to provide us with written confirmations to abide by all applicable laws, for example to supply wood which is compliance with the relevant rules, regulations and certifications, or otherwise disassociate with any illegal activities as soon as such activities are discovered.

For the year ended 31 March 2012, Materials Supplier A was our largest materials supplier, accounted for approximately 14.88% of our total cost of sales. For the two years ended 31 March 2013 and 2014, Materials Supplier C was our largest materials supplier, accounted for approximately 23.00% and 14.55% of our total cost of sales of the respective year.

During the Track Record Period, purchases from our five largest materials suppliers accounted for approximately 33.43%, 42.66% and 33.03% respectively of our total cost of sales. Purchases from such materials suppliers mainly included furnishings and materials.

The following table sets out the background of our top five materials suppliers during Track Record Period and their respective years of relationship with our Group:

For the year ended 31 March 2012

Materials supplier	**Items provided**	**Amount paid** *HK$'000*	**% of total cost of sales**	**Business relationship since**
Materials supplier A	Furnishings and materials	6,726.9	14.88%	2010
Materials supplier B	Furnishings and materials	4,022.3	8.90%	2011
Materials supplier C	Furnishings and materials	2,126.0	4.70%	2007
Materials supplier D	Furnishings and materials	1,234.3	2.73%	2011
Materials supplier E	Furnishings and materials	1,000.0	2.21%	2011

For the year ended 31 March 2013

Materials supplier	Items provided	Amount paid *HK$'000*	% of total cost of sales	Business relationship since
Materials supplier C	Furnishings and materials	10,247.9	23.00%	2007
Materials supplier F	Furnishings and materials	4,654.8	10.45%	2011
Materials supplier G	Kitchen cabinetry and home appliances	1,950.0	4.38%	2012
Materials supplier H	Furnishings and materials	1,544.4	3.47%	2012
Materials supplier I	Curtain making and installation	615.3	1.38%	2005

For the year ended 31 March 2014

Materials supplier	Items provided	Amount paid *HK$'000*	% of total cost of sales	Business relationship since
Materials supplier C	Furnishings and materials	10,186.2	14.55%	2007
Materials supplier A	Furnishings and materials	5,712.9	8.16%	2010
Materials supplier H	Furnishings and materials	2,599.8	3.71%	2012
Materials supplier F	Furnishings and materials	2,429.1	3.47%	2011
Materials supplier B	Furnishings and materials	2,200.4	3.14%	2011

As at the Latest Practicable Date, all of our subsisting materials suppliers were Independent Third Parties. None of our Directors, their associates or any Shareholders (which to the best knowledge of our Directors will own more than 5% of the total number of issued Shares of our Company immediately upon completion of the Placing and Bonus Issue) had any interest in our five largest materials suppliers as at the Latest Practicable Date.

8.2 Sub-contractors

Each of our sub-contractors is engaged to solely carry out the specific works for which it is contracted. Considering the projects undertaken by our Group, sub-contracting provides us flexible means to meet the fluctuating workload demands and diversity of the required expertise. Our sub-contractors are neither employees nor agents of our Group and we are not a party to the employment arrangements between the sub-contractors and their employees, if any.

As at the Latest Practicable Date, we have a pool of 40 sub-contractors from which we select for each project. This pool of sub-contractors is reviewed, evaluated and updated on an ongoing basis by our management according to the ability, skills and quality of the sub-contractors, some of which have been working with our Group for over eight years. Our Directors therefore consider that it is not necessary to find substitute sub-contractors for specific works should it become necessary. During the Track Record Period, we have not encountered any material difficulties in finding sub-contractors to perform works for our projects.

We do not have long term agreements with our sub-contractors and we will enter into contracts with them on a project basis. Our arrangements with sub-contractors generally adopt the following principal terms:

(a) allocation of sufficient resources by sub-contractors to perform sub-contracting work;

(b) adoption of retention money; and

(c) sub-contractors' obligations to perform works in a timely manner.

Sub-contractors are required to (i) provide products/deliver services in compliance with applicable industrial law of Hong Kong, and (ii) be responsible for their employee's insurance, and (iii) ensure their tools and machinery used to carry out the work are in compliance of all applicable laws including those in relation to industrial safety. Our Group's project management staff and safety supervisor from Projects Department will visit the site to follow up the progress of construction work and coordinate the work of various sub-contractors. Our safety supervisor, Mr. Yu Wai Hong, Hugo (holder of the Construction Industry Safety Training Certificate, Combined Certificate for Safety and Health Supervisor (Construction), Combined Certificate for Safety, Health and Environmental Supervisor (Construction), Training Certificate for Foreman Safety Training, Training Certificate for Site Hygiene & Environment, Training Certificate for Basic Occupational Health, Training Certificate for Basic Safety Management and Training Certificate for Basic Accident Prevention) has been working for our Group over the past three years and has been responsible for work site safety related matters for an aggregate of 24 projects. He is principally responsible to (i) promote safety and health of workers working in the site; (ii) assist the workers working in the site to understand and observe the rules and regulations relating to safety and construction works in Hong Kong; and (iii) supervise the workers working in the site to observe the rules and regulations relating to safety and construction works.

To prevent non-compliance with the rules and regulations relating to safety and construction works in Hong Kong, since May 2013, our safety supervisor has completed relevant training courses organised by Occupational Safety and Health Council and is required to visit work sites on a daily basis and prepare weekly reports to the management together with suggested follow up or remedial measures. Our management will review the suggested measures and our safety supervisor is required to implement the suggested measures and report the progress in his weekly report. Our executive Director, Mr. Fok Chun Kit, will conduct spot checks on the implementation at work sites. Our internal control manual has been enhanced in January 2014 to regularise the aforesaid measures and stipulates that an executive Director, Mr. Fok is to report irregularities discovered and new measures implemented to the Compliance Committee each month or, in case of urgent and serious incidents, the chairman of the Compliance Committee as soon as practicable. In addition, at the commencement of each project, and weekly safety meeting with on site workers the safety supervisor will remind the site workers to observe the construction site rules; as well as posting the construction site rules at a prominent place visible to all workers. Annual training on rules and regulations relating to safety and construction works in Hong Kong will be organised for our staff and sub-contractors in Hong Kong. Training for Directors and senior management will be provided by an external legal adviser annually. For details, please refer to the paragraph headed "Corporate governance measures" under the section headed "Directors, senior management and employees".

Given the scale of operation of our Group, our executive Directors (namely Mr. Fok and Mr. Tsang) will continue to place strong emphasis on work site safety and work together with Mr. Yu to closely monitor the observance of the rules and regulations relating to safety and construction works in Hong Kong. In anticipation of the expansion of the operation of our Group's business, we will consider to identify from our staff or add headcount to the additional safety officer/supervisor as and when appropriate. Meanwhile, to enable Mr. Yu to discharge his duty, our Group will, as and when necessary, sponsor him to attend occupational safety and health training courses or seminars organised by accredited course providers, such as the Occupational Safety & Health Council of Hong Kong. We will conduct quarterly reviews of these internal control measures on safety and monitoring of safety compliance matters of the sub-contractors to identify areas of further improvement and make appropriate changes to such measures, where necessary.

Construction site rules will be posted at the work sites. Quality of handicraft will be checked by project management staff and our employees will request for rectification work or re-make on sub-standard work. There is no explicit provision in the agreement between our Group and our sub-contractors in relation to apportionment of liability and compensation or recourse for breach of relevant laws by sub-contractors. We have not initiated any claim against, nor received any claims from our sub-contractors in this respect during the Track Record Period and up to the Latest Practicable Date.

For the two years ended 31 March 2012 and 2013, Sub-contractor A was our largest sub-contractor, accounted for approximately 6.35% and 6.47% of our total cost of sales respectively. For the year ended 31 March 2014, Sub-contractor D was our largest sub-contractor, accounted for approximately 2.48% of our total cost of sales of the year.

During the Track Record Period, service obtained from our five largest sub-contractors accounted for approximately 19.34%, 19.56% and 10.14% of our total cost of sales respectively.

The following table sets out the background of our top five sub-contractors during Track Record Period and their respective years of relationship with our Group:

For the year ended 31 March 2012

Sub-contractor	**Services provided**	**Amount paid** *HK$'000*	**% of total cost of sales**	**Business relationship since**
Sub-contractor A	plaster and cement services and materials	2,868.4	6.35%	2011
Sub-contractor B	ceiling work	1,790.3	3.96%	2010
Sub-contractor C	glass work	1,594.1	3.53%	2009
Sub-contractor D	painting and materials	1,582.0	3.50%	2011
Sub-contractor E	plaster and cement services and materials	905.8	2.00%	2011

For the year ended 31 March 2013

Sub-contractor	Services provided	Amount paid *HK$'000*	% of total cost of sales	Business relationship since
Sub-contractor A	plaster and cement services and materials	2,881.4	6.47%	2011
Sub-contractor D	painting and materials	2,780.4	6.24%	2011
Sub-contractor F	glass work	1,585.2	3.56%	2011
Sub-contractor B	ceiling work	847.3	1.90%	2010
Sub-contractor G	electric work	622.2	1.40%	2008

For the year ended 31 March 2014

Sub-contractor	Services provided	Amount paid *HK$'000*	% of total cost of sales	Business relationship since
Sub-contractor D	painting and materials	1,736.8	2.48%	2011
Sub-contractor A	plaster and cement services and materials	1,701.3	2.43%	2011
Sub-contractor B	ceiling work	1,287.6	1.84%	2010
Sub-contractor E	plaster and cement services and materials	1,245.1	1.78%	2011
Sub-contractor C	glass work	1,127.0	1.61%	2009

As at the Latest Practicable Date, all of our subsisting sub-contractors were Independent Third Parties. None of our Directors, their associates or any Shareholders (which to the best knowledge of our Directors will own more than 5% of the total number of issued Shares of our Company immediately upon completion of the Placing and Bonus Issue) had any interest in our five largest sub-contractors as at the Latest Practicable Date.

9. Quality control

We believe quality control is one of the key differentiators between our Group and other interior design and fitting-out companies. Our Group's quality management system includes, amongst other things, the following:

- Checks and balances
- Requirements identification and review
- Inspection and/or testing
- Training and education

The following paragraphs outline each of these topics in more detail.

9.1 Checks and balances

On most of the projects undertaken by our Group, we usually assign more than one staff member to assure quality and consistency across the delivery of the project. These staff audit each other's work, filtering out human errors whilst boosting the creative process.

9.2 Requirements identification and review

Identification of requirements starts with our initial consultation and interviewing process with potential customers and follows through the entire project flow. Requirements of the customers are identified and validated against project parameters and constraints. Additional requirements and variations to works are handled by our Project Department to ensure consistent and timely execution of the project within the contractual items in order to satisfy our customer's expectations.

9.3 Inspection and testing

During the execution of our projects, inspections and testings are continuously repeating tasks. The designs made by our Group are constantly checked against constructional constraints by our designers to assure feasibility. Our Project Department monitors the works completed by our sub-contractors throughout the project, assuring compliance with our customer's requirements.

Our Company also monitors the progress of the production of furnishings and materials used in our designs. Inspections are carried out by representatives of our Group to ensure production is in line with the specifications set out in the design. Furthermore, certification of materials and products before making progress payments is an integral part of the procurement process.

9.4 Training and education

Our Directors believe that training, human development and education improves quality of work thereby enhancing the day to day management of our Company. Our staff are trained on the aspects of the tasks that they are assigned to. We also sponsors our staff to attend of training classes, trade fairs and management courses.

10. Environmental matters

Design and fitting-out works have an inevitable impact on the environment. Our design and fitting-out business in Hong Kong are subject to certain laws and regulations related to environmental protection. Please refer to the section headed "Regulatory environment" of this prospectus for further information about such laws and regulations. We have obtained all the required permits and approvals where applicable, for the projects carried out by us during the Track Record Period.

Our Directors believe that it is essential for our Group to be as environmentally responsible as possible in the execution of our projects. As we outsource all physical fitting-out works to our sub-contractors, we remind our sub-contractors to comply with all applicable laws and regulations related to environmental protection. Our Directors strongly believe that by doing so, our business will sustain its healthy growth and development in the future.

11. Health and safety

We are committed to providing a safe and healthy working environment for the benefit of our sub-contractors, our staff and the general public. We consider that if safety around a project is not managed properly, the implications can be enormous, not only in monetary costs, but more importantly in human costs.

Our Directors require strict implementation of our safety system under supervision of our Group's or the sub-contractors' management staff. In Hong Kong, we have employed a qualified safety supervisor approved by the Labour Department in Hong Kong to monitor and implement our safety system. We will continue to put adequate resources and effort to uphold and improve our safety management system in order to reduce our risks related to safety issues. In order to pursue the safety and health of all personnel working on sites, we publish health and safety policies and procedures at certain sites. We also conduct safety inspections at work sites to ensure our operations are conducted in a manner so as to reduce the risks to persons and properties.

To the best of our ability, we require our sub-contractors to abide by all safety laws, rules, regulations, measures and procedures as well as all safety requirements to comply with all current enactments relating to their works. In addition to our own staff, we also encourage our sub-contractors to attend government training on safety and environmental matters which take place at our office.

During the Track Record Period, one of our subsidiaries were fined for breaching the Factories and Industrial Undertakings (Electricity) Regulations, for details please refer to paragraph 17.6 below. Save as disclosed, no prosecution has been laid against us by any relevant authorities in respect of violation of applicable laws or regulations of safety and health.

No material injury and fatal accidents were recorded on the sites for which we were responsible during the Track Record Period. Our Directors are of the view that our Group has maintained sufficient third party liability insurance as and when necessary.

12. Insurance

All design and fitting-out projects undertaken by our Group are normally protected by contractor's all-risks and third party liability insurance which, depending on the terms of the relevant contracts, are taken out either by the customers, the main contractors or us. Such insurance policy generally extends for the entire contract period, including the defect liability period following completion of the project. We have also maintained employees' compensation insurance for our employees in accordance with the laws and regulations in Hong Kong.

Please refer to the section headed "Regulatory environment" in this prospectus for information on the relevant statutory requirements on insurance.

Insurance over worksite may be taken out by property developer, main contractor or by our Group, depending on the stage of development of the property. Our Group takes out insurance should we consider necessary. During the Track Record Period, the total insurance relating to projects amounted to approximately HK$96,950, HK$86,150 and HK$244,240.

13. Qualifications

As at the Latest Practicable Date, Karlson is a Registered Minor Works Contractor in Hong Kong, licensed to carry out the following types and classes of work:

Authority	Types	Classes	Registration No.	Registered Company	Date of registration	Date of Expiration
Hong Kong Buildings Department	A (Alteration and addition works)	II & III	MWC3833/2011	Karlson	26 July 2012	26 July 2015
	B (Repair Works)	II & III				
	C (Works related to signboards)	I, II & III				
	D (Drainage works)	II & III				
	E (Works related to structures for amenities)	I, II & III				
	F (Finishes works)	I, II & III				
	G (Demolition works)	I, II & III				

14. Litigation

Save as disclosed under the section headed "17. Legal Compliance" below, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Director to be pending or threatened against our Company or any of our subsidiaries.

15. Intellectual property rights and domain name

As at the Latest Practicable Date, our Group has a series of three registered trademarks. Our Group is applying for the registration of trademarks in Singapore. In addition, the Group is applying for the registration of another trademark in Hong Kong. Particulars of the said series of registered trademarks and trademark applications are set out in paragraph 8(a) of Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

Our Group is the owner of two domain names. Details of which are set out in paragraph 8(b) in Appendix IV to this prospectus.

16. Properties

As at the Latest Practicable Date, our Group did not own any property and all of our premises of operation in Hong Kong are leased properties.

Our Group have been leasing an office premise in San Po Kong, Kowloon, Hong Kong since 1 August 2011. We occupied the existing premise as our headquarter and principal place of business in Hong Kong. The rental rate of this premise was approximately HK$150,000, HK$300,000 and HK$300,000 for the years ended 31 March 2012, 2013 and 2014. The lease of this office premise will expire on 31 July 2014. Our Group has an option to renew the lease for three further years from 1 August 2014 to 31 July 2017 at an annual rental of not more than HK$432,000.

Prior to leasing this office premise as our headquarter in 1 March 2010, our Group had leased another office premise in San Po Kong, Kowloon, Hong Kong, of which the tenancy agreement was early terminated at the request of our Group with effect from 7 November 2011. Thus, we have incurred rental expenses from this office premise during the Track Record Period as well, which amounted to approximately HK$119,800 for the year ended 31 March 2012.

Our Group occupied an office space in 4 Robinson Road, No. 08-01, Singapore as our place of business in Singapore during the period July 2012 to June 2013. The rental of this premise was approximately HK$27,900, HK$9,300 and nil for the years ended 31 March 2012, 2013 and 2014.

No valuation report for these office premises has been included in this prospectus as it is exempted under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L).

17. Legal compliance

Our Group is committed to prohibit recruitment of illegal workers. During the Track Record Period, no illegal workers have been reported in the sites for which we are responsible. To ensure no illegal workers are employed by our sub-contractors, we perform checks on the identification documents of such workers committed to our projects and our foreman will keep necessary records of workers attending at the sites.

Our Group has, as at the Latest Practicable Date, obtained all the necessary licences which are required to carry on our Group's activities. Save as disclosed below, our Group has been in compliance with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

17.1 Previous non-compliance

17.1.1 Section 122 of the Old Companies Ordinance — Approval of audited accounts at annual general meetings

Type of non-compliance:	Failing to lay audited accounts made up to a date not more than nine months before the date of the annual general meetings on 31 December 2005, 2007-2009, 2011 (However, Section 351A of the Old Companies Ordinance provides that notwithstanding section 26 of the Magistrates Ordinance (Cap. 227), an information or complaint relating to an offence under the Old Companies Ordinance may be tried if it is laid or made, as the case may be, at any time within three years after the commission of the offence and within 12 months after the date on which evidence sufficient in the opinion of the Secretary for Justice to justify the proceedings comes to his knowledge ("Limitation Period"). Therefore, the latest time for prosecuting an offence under the Old Companies Ordinances is three years after the commission of the offence. Accordingly, only two out of the six instances of breaches of Section 122 of the Old Companies Ordinance are within the Limitation Period (i.e. Joy Excel and Well Creation which failed to lay their financial statements for the year ended 31 March 2011 at their annual general meetings). Since the court has granted the applications in respect of Joy Excel and Well Creation, the breaches of Section 122 of the Old Companies Ordinance in respect of these companies can no longer be prosecuted.)
Brief summary of the non-compliance	four subsidiaries in our Group (being Karlson, Well Creation, Wealth Trinity and Joy Excel) have on six occasions contravened Section 122 of the Old Companies Ordinance
Cause of the non-compliance	— breaches were unintentional — occurred due to frequent turnover of accounting staff resulted in delay in submitting the accounts for audit and that the directors were not aware of the statutory time frame for laying the audited accounts

Maximum legal consequences and financial impacts	— a fine of up to HK$300,000 and up to 12 months' imprisonment for the relevant directors of Joy Excel and Well Creation (being two of our executive Directors) who failed to take all reasonable steps to comply with the provisions of section 122 — there is no risk of prosecution as court orders have been granted under Section 122 (1B) of the Old Companies Ordinance
Total amount of fine imposed (if any)/whether provisions have been made	Provision was not made — there is no risk of prosecution as court orders have been granted under Section 122 (1B) of the Old Companies Ordinance
Remedial/rectification actions taken/to be taken by our Group and measures to prevent future reoccurrence	— The audited accounts for these companies for the relevant years have all been approved by their shareholders after the statutory time limits. — Applications were made to the Court of First Instance of the High Court of Hong Kong pursuant to Section 122 (1B) of the Old Companies Ordinance to extend the time for laying the relevant financial statements of Wealth Trinity, Karlson, Joy Excel and Well Creation beyond the prescribed period. On 2 April 2014, the court granted the requested orders in respect of applications of Joy Excel and Well Creation; the applications in respect of Karlson and Wealth Trinity were dismissed since their breaches were committed more than three years ago and there is no risk of prosecution. — To ensure future compliance, our Group has established written policies contained in our Internal Control Manual for execution and monitoring of any violation of the rules.

— Our written policies clearly stipulate the procedures, time frame and relevant regulations, and identify the responsible persons to implement and monitor for any non-compliance. In particular, our head of Administrative Department will be responsible for setting the timetable of annual general meeting of our Company as well as subsidiaries of our Group after discussion with our Finance Manager, who will be responsible for (i) arranging audit work for our Company and subsidiaries of our Group, (ii) informing auditors clearly that audited financial statements have to be ready for board approval on or before 5 September of each year, and (iii) monitoring the progress of audit work such that deadline for laying audited financial statements at annual general meeting can be observed. Our Company Secretary will be responsible for overseeing the whole process and spot checking the progress of the annual audit work and preparation of annual general meeting, and will report to the Compliance Committee in case of major irregularities. Our Finance Manager will report progress of audit, and our head of Administrative Department will report the status of preparation of annual general meeting to the Compliance Committee each month. Please refer to the section headed "Directors, senior management and employees" for the identities and biographies of the head of Administrative Department, the Finance Manager and the Company Secretary.

— The Compliance Committee would be responsible for the monitoring of the execution of all necessary procedures and the relevant approvals of audited accounts at annual general meeting, of which would be reviewed by our Company Secretary to ensure proper compliance.

17.2 Section 93(1)(c) of the Old Companies Ordinance — publication of name of company

Type of non-compliance	Failure to mention the company name together with the business name from about September 2006 to April 2012
Brief summary of the non-compliance	Wealth Trinity duly adopted "ABC工程公司" as its business name for easy recognition since its first registration under the Business Registration Ordinance and made reference only to its business name on its business documents (i.e. quotation, contracts and invoices) from incorporation to about April 2012
Cause of the non-compliance	Upon registration of the business name under the Business Registration Ordinance, business was conducted under the business name of "ABC工程公司" without reference to the company name. The breaches were unintentional and the Directors were not aware of such requirement
Maximum legal consequences and financial impact	Maximum fine of HK$10,000 for the company and any officer of the company or any person on its behalf
Total amount of fine imposed (if any)/whether provisions have been made	Provision was not made — please refer to "Opinion of Legal Advisers to our Company as to Hong Kong Laws" below

Remedial/rectification actions taken by our Group and measures to prevent future reoccurrence	Wealth Trinity has ceased to hold itself out solely as "ABC工程公司" without reference to Wealth Trinity since May 2012

— To ensure future compliance, our Group has established written policies contained in our Internal Control Manual for execution and monitoring of any violation of the rules.

— Our written policies clearly stipulate the relevant regulations, and identify the responsible persons to implement and monitor for any non-compliance. In particular, our head of Administrative Department will be responsible for checking all out-going documents such as quotations, contracts, purchase orders and invoices as to whether the proper names of the subsidiaries have been published on these documents and in compliance with section 93(1)(c) of the Old Companies Ordinance (section 659 of New Companies Ordinance), before sending to external parties. Our head of Administrative Department will also report the status of compliance with section 93(1)(c) of the Old Companies Ordinance (section 659 of New Companies Ordinance) to the Compliance Committee each month. Our Company Secretary will perform spot checks on documents issued by our subsidiaries, and will report to the Compliance Committee in case of major irregularities. Please refer to the section headed "Directors, senior management and employees" for the identities and biographies of the head of Administrative Department, the Finance Manager and the Company Secretary.

— The Compliance Committee would be responsible for the monitoring of the execution of all necessary procedures to ensure proper compliance.

Our Group's legal adviser as to Hong Kong law has confirmed that contracts and commitments made by "ABC工程公司" were equally enforceable as contracts and commitments entered into by Wealth Trinity. Section 93(2) of the Old Companies Ordinance applies to a company with an English name only and requires such company to add "有限公司" to the end of any translation or transliteration of its name (unless otherwise exempted by the Companies Registrar). Wealth Trinity adopted "ABC工程公司" as its business name under the Business Registration Ordinance. In this case, the legal adviser as to Hong Kong law considers that the subject section is not applicable to Wealth Trinity as it has been incorporated with an English and a Chinese name and that "ABC工程公司" is not the Chinese name on translation or transliteration of Wealth Trinity. The businesses conducted under "ABC工程公司" have all been taken into account during the preparation of Wealth Trinity's financial reporting and tax computation, and in turn have been properly reflected and recorded in our Group's consolidated accounts as set out in Appendix I to the Prospectus.

17.3 Sections 107 and 158(4) of the Old Companies Ordinance — failing to state residential addresses of directors and secretaries in prescribed form and the register of directors and secretaries

Type of non-compliance	Failing to state the residential addresses of directors and secretaries on the prescribed forms required by the Companies Registry and the registers of directors and secretaries by certain of our subsidiaries between May 2004 and October 2013.
Brief summary of the non-compliance	Residential addresses of certain directors and secretaries of the subsidiaries of our Group were not stated on the prescribed forms for notification and annual returns and the register of directors and secretaries of the Company
Cause of the non-compliance	Breaches were unintentional and due to inadvertence
Maximum legal consequences and financial impact	— a maximum fine of HK$10,000 to HK$50,000 — a daily default fine of HK$300 to HK$700 for continued default
Total amount of fine imposed (if any)/whether provisions have been made	Provision was not made — please refer to "Opinion of Legal Advisers to our Company as to Hong Kong Laws" below

Remedial/rectification actions taken/to be taken by our Group and measures to prevent future reoccurrence

Notified the Companies Registry by way of letters and amended forms and amended the registers of directors and secretaries to show their residential addresses in January, February and March 2014

Appointed qualified company secretary to oversee relevant compliance

— To ensure future compliance, our Group has established written policies including extracts of relevant provisions of the New Companies Ordinance which stipulate the requirement of filing and prescribed timeframe contained in our Internal Control Manual for execution and monitoring of any violation of the rules.

— Our written policies clearly stipulate the relevant regulations, and identify the responsible persons to implement and monitor any non-compliance. In particular, internal control manual has been revised to state clearly that all staff, including Directors, each has an obligation to inform the Administrative Department of changes in their personal particulars, including residential address, within 7 days of such change. Our head of Administrative Department will send emails to all staff and Directors on a biweekly basis to enquire whether there is any change of residential address, and, if so, will be responsible for preparation and filing of prescribed form of the Companies Registry within prescribed timeframe and updating the registers of directors. Once it comes to the attention of our Company Secretary that any notification obligation has been triggered, our Company Secretary will be responsible for overseeing the whole process including information gathering, prescribed form filling and filing of the prescribed form, and to alert the responsible personnel about the prescribed timeframe of filing with the Companies Registry. Our Finance Manager will review and a director of the relevant subsidiary will sign the prescribed forms before filing. Our Finance Manager will also review and approve the update of the register of directors. Our head of Administrative Department will report the status of filing with the Companies Registry to the Compliance Committee each month. Please refer to the section headed "Directors, senior management and employees" for the identities and biographies of the Head of Administrative Department, the Finance Manager and the Company Secretary.

— The Compliance Committee would be responsible for the monitoring of the execution of all necessary procedures to ensure proper compliance.

17.4 Sections 158(4), 92(3) and 45(1) of the Old Companies Ordinance — late filing of certain prescribed forms with the Companies Registry

Type of non-compliance	Late filing of certain prescribed forms with the Companies Registry by certain of our subsidiaries during the following periods: January, February, March and April 2007; March and August 2008; January, February, March, September and October 2010; April, May and October 2011; January, February, August, September and October 2012; May 2013
Brief summary of the non-compliance	Certain subsidiaries of our Group failed to file prescribed forms with the Companies Registry within the time limits prescribed under the relevant sections
Cause of the non-compliance	— breaches were unintentional — the staff responsible for the filing of documents failed to do so and the directors were not aware of the breach at that time
Maximum legal consequences and financial impacts	— HK$10,000 to HK$50,000; and — daily default fine of HK$300 to HK$700 for continued default
Total amount of fine imposed (if any)/ whether provisions have been made	Provision was not made — please refer to "Opinion of Legal Advisers to our Company as to Hong Kong Law" below
Remedial/rectification actions taken/to be taken by our Group and measures to prevent future reoccurrence	Relevant prescribed forms had been filed with the Companies Registry in January, February, March and April 2007; March and August 2008; March and October 2010; May and October 2011; February, August, September and October 2012; May 2013; Appointed qualified company secretary to oversee relevant compliance — To ensure future compliance, our Group has established written policies contained in our Internal Control Manual for execution and monitoring of any violation of the rules. — Our written policies clearly stipulate the relevant regulations, and identify the responsible persons to implement and monitor for any non-compliance. Please refer to procedure described in paragraph 17.3 above for details. — The Compliance Committee would be responsible for the monitoring of the execution of all necessary procedures to ensure proper compliance.

Breaches that occurred before March 2011 are within Limitation Period as described in paragraph 17.1.3. Our Directors confirm that no action had been taken against our subsidiaries in respect of the breaches described in this paragraph during the Track Record Period and up to the Latest Practicable Date.

17.5 Section 8(1) of the Business Registration Ordinance — failure to notify the Inland Revenue Department about changes in nature of business

Type of non-compliance	Late notification of change of business nature by 3 subsidiaries (being HSI, Joy Excel and Well Creation) on 16 occasions since their date of incorporation from March 2009 to January 2014
Brief summary of the non-compliance	Failed to notify the Inland Revenue Department about the changes in business nature
Cause of the non-compliance	breaches were unintentional and inadvertent
Maximum legal consequences and financial impact	— maximum fine of HK$5,000 — imprisonment of the relevant directors, secretaries and managers of Joy Excel, Well Creation and HSI (including two of our executive Directors) for one year
Total amount of fine imposed (if any)/ whether provisions have been made	Provision was not made — please refer to "Opinion of Legal Advisers to our Company as to Hong Kong Law" below
Remedial/rectification actions taken/to be taken by our Group and measures to prevent future reoccurrence	On 10 January 2014, letters have been sent to the Inland Revenue Department (accompanied by the corrected forms) notifying them of the breaches and seeking rectification of the nature of business of the relevant companies. As at the Latest Practicable Date, our Directors confirm that no action was taken against our subsidiaries on such non-compliance — To ensure future compliance, our Group has established written policies contained in our Internal Control Manual for execution and monitoring of any violation of the rules.

— Our written policies clearly stipulate the relevant regulations, and identify the responsible persons to implement and monitor for any non-compliance. In particular, our head of Administrative Department will send emails to our Directors on a monthly basis to enquire whether there is any change in business nature of our subsidiaries, and, if so, will be responsible for preparation and filing of the prescribed form of the Business Registration Office within the prescribed timeframe. Once it comes to the attention of our Company Secretary that any notification obligation has been triggered, our Company Secretary will be responsible for overseeing the whole process including information gathering, prescribed form filling and submission of the prescribed form, and to alert the responsible personnel about the prescribed timeframe of submission to the Business Registration Office. Our Finance Manager will review and a director will sign the prescribed forms before submission. Our head of Administrative Department will report the status of submission with the Business Registration Office to the Compliance Committee each month. Please refer to the section headed "Directors, senior management and employees" for the identities and biographies of the head of Administrative Department, the Finance Manager and the Company Secretary.

— The Compliance Committee would be responsible for the monitoring of the execution of all necessary procedures to ensure proper compliance.

The directors, secretaries and managers of relevant subsidiaries during March 2008 to January 2014 may be subject to the legal consequences including fine and imprisonment. Our legal adviser as to Hong Kong law are of the view that a breach of this section is minor in terms of gravity and that it would be extremely unlikely for a custodial sentence to be imposed on such directors, secretaries and managers of the relevant subsidiaries.

17.6 Regulation 6 of the Factories and Industrial Undertakings (Electricity) Regulations — failure to ensure that all live conductors to be insulated so as to prevent electrical hazard

Type of breach	Failing to ensure that all live conductors are insulated so as to prevent electrical hazard in October 2012
Brief summary of the breach	In about October 2012, Well Creation engaged a sub-contractor for the laying of floor tiles at a hotel site in Hong Kong. In the course of the engagement, the sub-contractor used temporary lighting not insulated in accordance with Regulation 6 of the Factories and Industrial Undertakings (Electricity) Regulations ("FIUER"). The aforesaid failure was discovered during an inspection of the site carried out by the Electrical and Mechanical Services Department on 30 October 2012 and was due to oversight of our project management staff in overseeing implementation of safety measures by sub-contractors. Well Creation was prosecuted on 20 April 2013 under Regulation 31 of FIUER as it had management and control of the site.
Total amount of fine imposed	Well Creation pleaded guilty and was fined HK$3,900 for the offence on 23 May 2013.
Remedial/rectification actions taken/to be taken by our Group and measures to prevent future reoccurrence	— Procured our Group's sub-contractors to attend a talk on occupational safety and health legislation organised by the Labour Department in January 2013 — Arranged a designated staff, Mr. Yu Wai Hong, Hugo, to attend occupational safety and health trainings organised by the Occupational Safety and Health Council in Hong Kong to enhance awareness of work site safety as well as to conduct regular safety inspections at work sites (please refer to paragraph 8.2 for further details). — To ensure future compliance, our Group has established written policies contained in our Internal Control Manual for execution and monitoring of any violation of the rules. — Our written policies clearly stipulate the relevant regulations, and identify the responsible persons to implement and monitor for any non-compliance (please refer to paragraph 8.2 for further details). — The Compliance Committee would be responsible for the monitoring of the execution of all necessary procedures to ensure proper compliance.

17.7 Opinion of Legal Advisers to our Company as to Hong Kong Laws

Section 15(3) of the Business Registration Ordinance provides that the latest time for prosecuting an offence under the ordinance is 6 years from the date of the commission of the offence.

By virtue of Section 351A of the Old Companies Ordinance described in paragraphs 17.1.1 above, breaches of the sections set out in paragraphs 17.2 to 17.4 above in respect of which the Limitation Period has passed can no longer be prosecuted. The legal advisers to our Company as to Hong Kong law are unable to ascertain the range of fines normally imposed on a breach of these sections as prosecutions for breaches of such sections are rare.

Our legal advisers to the Company as to Hong Kong law are of the view that the non-compliance as described in paragraphs 17.2, 17.3 and 17.4 above are minor in nature. In the event of prosecution, the possible penalty is monetary in nature and our Group is indemnified by our Controlling Shareholders pursuant to the Deed of Indemnity.

With regard to the non-compliance as described in paragraph 17.5 above, our legal advisers to the Company as to Hong Kong law are of the view that the breach is minor in terms of gravity and it would be extremely unlikely for a custodial sentence to be imposed on a director of the relevant subsidiaries of our Group.

Our Group's legal adviser as to Hong Kong law confirmed that our Group has, where rectification measures are applicable, taken out necessary actions to rectify the identified non-compliance incidents as set out in paragraphs 17.1 to 17.6 above. Rectification measures for all the identified non-compliance incidents, where rectification measures are applicable, have been fully taken.

17.8 Enhanced internal control measures

Given the above incidents, we engaged an independent adviser in respect of internal control for a specific internal control review so as to ensure compliance with relevant provisions of applicable laws and rules. The following measures have been designed in order to prevent the occurrence of any of the previous non-compliance matters in the future.

(1) Compliance committee

Upon Listing a compliance committee will be set up to ensure proper internal control. Its terms of reference and main functions are as follows:

(i) to review matters relating to the historical conduct of the operations of our Group;

(ii) to recommend procedures and protocols for implementation and/or inclusion into the policies of our Group for regulation of our present or future operations to ensure compliance with all applicable laws, rules and regulations, and to review such policies from time to time to consider whether any amendments or updates are necessary and to make recommendations to the Board for amendment and adoption as appropriate; and

(iii) to review the effectiveness of and compliance by our Group with the policies implemented by our Group and to recommend remedial actions to be taken (if any) in the event any non-compliance is discovered.

The Chairman and members of compliance committee are experienced in corporate governance and internal control, in particular, the chairman of compliance committee is a professional accountant with 20 years of work experience in a reputable audit firm of which the major function was relevant to internal control measures. While the two members have many years of work experience in a university and a government department respectively and they understand the importance of internal control. In particular, from 2005 to 2013, Mr. Lu was the chief executive officer of a sizeable non-governmental organisation with over 1,200 staff and 90 service units involving donations and government funds which was subject to various laws and government supervision. Mr. Lu is therefore familiar with and is experienced in terms of law and rule compliance, internal control and management. Please refer to the section headed "Directors, senior management and employees" for their respective biographies.

Any incidents of non-compliance will be reported to our compliance committee. Meetings will be held on a monthly basis or as and when necessary to perform the functions set out above. For effective monitoring, external independent professionals will be engaged to conduct reviews of our internal control system and its implementation and effectiveness on an annual basis, and, if considered necessary by compliance committee, as frequent as it considers appropriate.

(2) Engagement of external adviser to perform internal control review

External independent professionals will be engaged to perform regular internal review on an annual basis. We engaged SHINEWING Risk as our internal control advisers for an initial period of 2 years from the Listing. Thereafter, our Directors will consider engagement of internal control adviser as and when necessary.

(3) Engagement of company secretary

We have appointed Ms. Lam Yuen Ling Eva as our company secretary in January 2014. Ms. Lam is not our employee. She is experienced in company secretarial practice and applicable laws of Hong Kong relating to the on-going obligations secretarial of companies in Hong Kong and will, with the support of a team of 8 full time members as at the Latest Practicable Date, also oversee our Group's compliance with various applicable laws and regulations in Hong Kong.

(4) Designation of duties and on-going training to responsible employee

We have revised our Group's internal control manual in January 2014 and March 2014 which stipulates that our Group's Administrative Department and Finance Department will jointly be responsible for compliance with all companies' on-going obligation so as to avoid inadvertent omission. Further training programs will be provided by an external legal adviser, David Lo & Partners, on an annual basis to update our Directors and senior management on the relevant Hong Kong laws and regulations including the New Companies Ordinance, GEM Listing Rules and Takeovers Code, which are relevant to the compliance of our Company and other laws and regulations relevant to our Group's operation. Responsible staff in each of the Administrative and Finance Department, being the head of each of the department (please refer to the section headed "Directors, senior management and employees" for their identities and biographies), will have to mark down all important due dates and coordinate the necessary work and to facilitate our Company Secretary in discharging her duties in advance. Please refer to the designation of duties as described in paragraphs 17.1 to 17.6 above.

In addition, training sessions will be held when new employees join the departments or on a regular basis to explain the non-compliances resulting from previous practices and to enhance their understanding of the remedial actions.

We have engaged David Lo & Partners as our external legal adviser and SHINEWING Risk as our internal control adviser upon the Listing. Our management will, going forward, engage additional independent professionals for advice as and when necessary.

17.9 Review of enhanced internal control measures by Internal Control Adviser

In view of previous non-compliance incidents, an independent internal control adviser, SHINEWING Risk, has been appointed to, inter alia, review the adequacy and effectiveness of our internal control measures to prevent the recurrence of such non-compliance. SHINEWING Risk is a professional firm specialising in corporate governance, internal audit and internal control review services. It has been providing pre-IPO internal control review services to listing applicants and listed companies since 2007.

SHINEWING Risk was engaged in July 2013 for a general internal control review and in February 2014 for a specific review on enhanced internal control measures set out in paragraph 17.8 above. The Sponsor had reviewed SHINEWING Risk's scope of review. Our Sponsor had also discussed with SHINEWING Risk their findings and recommendations and understood that our Group had put in place measures to prevent the recurrence of the identified non-compliance incidents set out in paragraphs 17.1 to 17.6 above. Our Directors consider that the current internal control measures (including the enhanced internal control measures adopted in January 2014 set out in paragraphs 17.1-17.6 and other measures as described in paragraph above) implemented can prevent the re-occurrence of those identified non-compliance incidents. Our Sponsor and SHINEWING Risk concur with the view of our Directors that our Group's current internal control measures have been properly designed to prevent the re-occurrence of those identified non-compliance incidents. Our Sponsor and SHINEWING Risk are satisfied that the design of our Group's current internal control measures on non-compliance incidents of the nature of those set out in paragraphs 17.1 to 17.6 above are adequate and effective.

17.10 Deed of indemnity

In view of the above, the Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our subsidiaries including but not limited to any director or employee, staff or representative employed by our Group) to provide joint and several indemnities in respect of, among other matters, all claims, payments, damages, which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any member of our Group in relation to events, inclusive of the aforesaid non-compliance incidents set out in paragraphs 17.1 to 17.6 above, occurred on or before the Listing Date. This further protects our Group from any material adverse consequence due to any claims incurred on or before the Listing Date. Further details of the Deed of Indemnity are set out in the paragraph headed "Estate duty, tax and other indemnity" of the section headed "Statutory and general information" in Appendix IV to this prospectus.

Our Directors are satisfied that the Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid outstanding claim against our Group under the Deed of Indemnity.

17.11 Directors' and Sponsor's view

Our Directors, after carrying out enquiries on the facts and circumstances leading to the non-compliances and having confirmed that there were no element of fraud or dishonesty involved, considered that the aforesaid non-compliances are immaterial in nature and have no material financial and operational impact on our Group; and of the view that, our Sponsor concurs with this view, the non-compliances do not affect the suitability of our Directors and our Company's suitability for listing under the GEM Listing Rules.

BOARD OF DIRECTORS

Our board consists of three Executive Directors and three independent non-executive Directors. The table below sets out information in respect of our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director
Chan Tat Wah (陳達華)	45	Chairman and Executive Director	overall strategic development and management of the Group	24 May 2004	29 July 2013
Fok Chun Kit (霍俊傑)	36	Chief Executive Officer and Executive Director	oversees and monitors the operation of projects in the Group	1 December 2005	20 January 2014
Tsang Kei Cheong (曾紀昌)	36	Executive Director	oversees and monitors the operation of projects in the Group	23 June 2004	20 January 2014
Lam Yiu Kin (林耀堅)	59	Independent Non-Executive Director	provides independent advice to the Board	30 June 2014	30 June 2014
Lu Tak Ming (盧德明)	66	Independent Non-Executive Director	provides independent advice to the Board	30 June 2014	30 June 2014
Lai Kin Keung (黎建強)	63	Independent Non-Executive Director	provides independent advice to the Board	30 June 2014	30 June 2014

EXECUTIVE DIRECTORS

Mr. Chan Tat Wah (陳達華先生), aged 45, was appointed as a Director on 29 July 2013 and became the Chairman and executive Director on 30 June 2014. He is the founder of our Group in 2004 and is responsible for the overall strategic development and management of the Group. Mr. Chan is a director of China Sourcing, Karlson, Hotel Sourcing and Joy Excel, all being subsidiaries of our Company. Mr. Chan is also the sole director of Genius Idea, a substantial Shareholder. Mr. Chan is currently enrolled in a Master of Engineering Management course offered by University of Technology, Sydney in conjunction with the Hong Kong Management Association.

Mr. Chan completed a diploma in business management jointly organised by Lingnan University of Hong Kong and The Hong Kong Management Association in September 2003. Mr. Chan has extensive experience in the real estate, interior design and fitting-out industries since 1997. Between 1997 and 1999, he was working as a real estate agent for various local real estate agencies in Hong Kong. He was an assistant manager of an international real estate agency between 2000 and 2001 and responsible for residential properties in Hong Kong. He possesses an estate agent's license (individual) granted by the Estate Agents Authority in Hong Kong since 1999. Between 2001 and 2004, Mr. Chan was a shareholder and director of several real estate agencies in Hong Kong. Mr. Chan has been admitted as fellow of The Professional Validation Centre of Hong Kong Business Sector in June 2012.

For Mr. Chan's interest in the Shares within the meaning of Part XV of the SFO, please refer to the paragraph headed "Further information about Directors, management and staff" in Appendix IV to this prospectus.

Mr. Fok Chun Kit (霍俊傑先生), aged 36, was appointed as a Director on 20 January 2014 and became executive Director on 30 June 2014. He is the chief executive officer and the head of Project Department, and is responsible for overall strategic planning, overall project management, including monitoring the operation of all company projects, tendering submissions, reviewing project costs and budget and providing interior design services as well as coordination and implementation of the construction work. He is also responsible for general human resources management. Mr. Fok is also a director of Karlson, Forever Smart, Joy Excel, Wealth Trinity, Well Creation and Hotel Sourcing Singapore, all being subsidiaries of our Company. Mr. Fok is currently enrolled in a Master of Engineering Management course offered by University of Technology, Sydney in conjunction with the Hong Kong Management Association.

Mr. Fok joined our Group in 2005 and has over 13 years of experience in the interior construction industry of Hong Kong. Prior to joining our Group, Mr. Fok worked at Creative C & C Limited, an interior design and project management company from March 2000 to November 2005. Mr. Fok was awarded a Diploma in Design (Interior) by the Hong Kong Institute of Vocational Education in September 1999.

For Mr. Fok's interest in the Shares within the meaning of Part XV of the SFO, please refer to the paragraph headed "Further information about Directors, management and staff" in Appendix IV to this prospectus.

Mr. Tsang Kei Cheong (曾紀昌先生), aged 36, was appointed as a Director on 20 January 2014 and became executive Director on 30 June 2014. He is the head of Design Department, and is responsible for project management, including monitoring the design team's output for all company projects and tendering submissions; and assisting the review of project costs and budget. Mr. Tsang is also the director of Forever Smart and Wealth Trinity, all being subsidiaries of our Company. Mr. Tsang is currently enrolled in a Master of Engineering Management course offered by University of Technology, Sydney in conjunction with the Hong Kong Management Association.

Mr. Tsang joined our Group in 2004 and has over 15 years of experience in the interior design and consultancy industry. Prior to joining our Group, Mr. Tsang worked at S.W. Law & Associates Architects & Development Consultants Ltd, an architectural company from July 1998 to July 2004 as project co-ordinator responsible for assisting project architects to deal with clients, contractors and consultants. Mr. Tsang was awarded a Diploma in Electronics and Communications Engineering by Kwun Tong Technical Institute in July 1997.

For Mr. Tsang's interest in the Shares within the meaning of Part XV of the SFO, please refer to the paragraph headed "Further information about Directors, management and staff" in Appendix IV to this prospectus.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Yiu Kin (林耀堅先生), aged 59, was appointed as an independent non-executive Director on 30 June 2014. He is a member of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England & Wales, the Institute of Chartered Accountants in Australia (ICAA) and Hong Kong Institute of Certified Public Accountants. He is presently an Adjunct Professor in the School of Accounting and Finance of the Hong Kong Polytechnic University, and a committee member of the Hong Kong Management Association. Mr. Lam has extensive experience in accounting, auditing and business consulting. He was a partner with PricewaterhouseCoopers Hong Kong from 1993 to 2013.

Mr. Lam's directorship in other listed company is set out below:

Company name	Position	Duration	Status	Stock code
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co. Ltd	independent non-executive director	October 2013 to present	Listed	1349

Mr. Lu Tak Ming (盧德明先生), aged 66, was appointed as an independent non-executive Director on 30 June 2014. Mr. Lu was awarded the degree of Bachelor of Social Science from The Chinese University of Hong Kong in October 1971 and is currently a registered social worker with the Social Workers Registration Board. Mr. Lu was the chief executive officer of Yan Oi Tong from around 2004 to 2013 and worked at the Social Welfare Department of Hong Kong from August 1971 to October 2003 with his last position being principal social work officer. Mr. Lu is currently retired and not engaged in any employment. Mr. Lu also offered his services as a volunteer in various organisations including Institute of Mental Health Castle Peak Hospital of the Hospital Authority, Kwai Tsing Safe Community and Healthy City Association, and Yan Chai Hospital Law Chan Chor Si Primary School.

Prof. Lai Kin Keung (黎建強教授), aged 63, was appointed as an independent non-executive Director on 30 June 2014. Professor Lai obtained the degree of Doctor of Philosophy in Civil Engineering in September 1977 and the degree of Master of Arts in March 1974, both from the Michigan State University. Prof. Lai was the recipient of the 2009 Joon S. Moon Distinguished International Alumni Award presented by International Studies and Programs at Michigan State University and 2014 Civil and Environmental Engineering Distinguished Alumni Award granted by the College of Engineering of Michigan State University.

Prof. Lai joined the City University of Hong Kong in 1985 and has been the Chair Professor of Management Science since September 2003. Prior to joining the City University of Hong Kong, Prof. Lai was a manager at Union Carbide Eastern Incorporated, from 1982 to 1985 and was a computer project officer for Cathay Pacific Airways Limited from July 1979 to August 1982. Prof. Lai was also the dean of the College of Business Administration, Hunan University, the PRC from February 2005 to February 2008 and was a member of the Chinese People's Political Consultative Conference Hunan Provincial Committee in 2008. Prof. Lai is currently a voting member of the Hong Kong Professionals and Senior Executives Association, and a fellow of The Hong Kong Institute of Directors.

Prof. Lai's directorship in other listed company is set out below:

Company name	Position	Duration	Status	Stock code
Hanbo Enterprises Holdings Limited	independent non-executive director	20 June 2014 to present	expected to be listed on 11 July 2014	1367

Save as disclosed above, all Directors have not been a director of any other listed company during the three years preceding the date of this prospectus.

Each of our Directors confirms that he does not have any business or interest which competes or may compete with the business of our Group.

SENIOR MANAGEMENT

Ms. Lee Yuk Pui Kawina (李玉佩女士), aged 45, joined our Group in 2006 and is the Operating Manager of our Group. She is the head of Operation Department. Ms. Lee has accumulated more than 18 years experience in the interior design and construction industry since 1995, and is experienced in project management. Prior to joining our Group, Ms. Lee worked for six years in Creative C & C Limited, an interior design and project management company.

Ms. Lee is currently enrolled in the MBA (Executive) programme offered by City University of Hong Kong and a Master of Engineering Management course offered by University of Technology, Sydney in conjunction with the Hong Kong Management Association. Ms. Lee is the spouse of Mr. Chan.

Ms. Sze Po Yee (施寶怡女士), aged 36, is the head of Administration Department and responsible for the overall administrative function, assisting in project management and human resources related matters. Ms. Sze joined our Group in 2005 and has over 16 years of experience in administration work in the architectural design and engineering industries.

Prior to joining our Group, Ms. Sze worked as secretary at Integrated Design Associates Limited, an architecture and interior design company, from June 2000 to May 2005. Ms. Sze was awarded a Diploma in Business Studies by YMCA College of Careers in November 1998 and a Certificate in Corporate Administration by Hong Kong Institute of Vocational Education in July 2001.

Mr. Lee Kin Ngai Kenneth (李堅毅先生), aged 36, is our financial manager and responsible for overseeing the financial, accounting and secretarial affairs of our Group. Mr. Lee joined our Group in 2013. He has over 13 years of audit and accounting experience in several firms of accounting or audit practice from 2000 to February 2008, and also worked as accounting professional in various companies including private companies and a company listed on the Main Board of the Stock Exchange during the period from April 2008 to December 2012.

Mr. Lee obtained a Bachelor of Business Administration in Accountancy from the City University of Hong Kong in July 2000 and he was admitted as a member of the Association of Chartered Certified Accountants in July 2009.

None of our senior management has been a director of any listed company during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Lam Yuen Ling, Eva (林婉玲女士), aged 47, is a director of BMI Listed Corporate Services Limited and was appointed as the company secretary of our Company on 20 January 2014. Ms. Lam has over 20 years experience in company secretarial services. She worked at Ho and Ho & Company as senior secretarial assistant from April 1993 to May 2005, at Premier Corporate Services Limited from May 2005 to August 2005 and as an assistant manager in Norcola Company Limited from September 2005 to August 2010. Ms. Lam obtained a Higher Certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic University in 1993. Ms. Lam is an associate of The Hong Kong Institute of Chartered Secretaries and also an associate of The Institute of Chartered Secretaries and Administrators.

Ms. Lam is currently the joint company secretary of China Suntien Green Energy Corporation Limited (Stock Code: 956) whose shares are listed on the Stock Exchange.

COMPLIANCE OFFICER

Mr. Chan Tat Wah was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) of our Company on 30 June 2014 with effect from the Listing Date. Please refer to paragraph headed "Executive director" of this section for details of Mr. Chan's qualification and experience.

BOARD COMMITTEES

Audit committee

An audit committee was established by our Board on 30 June 2014 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and approve our Group's financial reporting process and internal control system.

The audit committee has three members comprising Prof. Lai Kin Keung, Mr. Lam Yiu Kin and Mr. Lu Tak Ming, all of whom are our independent non-executive Directors. The chairman of the audit committee is Mr. Lam Yiu Kin.

Remuneration Committee

A remuneration committee was established by our Board on 30 June 2014 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and the senior management personnel of our Group.

The remuneration committee has three members comprising Prof. Lai Kin Keung, Mr. Lam Yiu Kin and Mr. Lu Tak Ming, all of whom are our independent non-executive Directors. The chairman of the remuneration committee is Mr. Lu Tak Ming.

Nomination committee

A nomination committee was established by our Board on 30 June 2014 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the candidates for directorship, either to fill vacancies on or appoint additional Directors.

The nomination committee has three members comprising Prof. Lai Kin Keung, Mr. Lam Yiu Kin and Mr. Lu Tak Ming, all of whom are our independent non-executive Directors. The chairman of the nomination committee is Prof. Lai Kin Keung.

Compliance committee

A compliance committee was established by our Board on 30 June 2014 with written terms of reference. The primary duties of the compliance committee are to review matters relating to the historical conduct of the operations of our Group with a view to (i) understand the relevant legal compliance obligations; (ii) recommend procedures and protocols for implementation and/or inclusion into the policies of our Group for regulation of our recent or future operations to ensure compliance with all applicable laws, rules and regulations, and to review such policies from time to time to consider whether any amendments or updates are necessary and to make recommendations to the Board for amendment and adoption as appropriate, and (iii) review the effectiveness of and compliance by our Group with the policies implemented by our Group and to recommend remedial actions to be taken (if any) in the event any non-compliance is discovered. Any incident of non-compliance will be reported to our compliance committee. Meetings will be held on a monthly basis or as and when necessary to perform the functions set out above. For effective monitoring, external independent professionals will be engaged to conduct reviews of our internal control system and its implementation and effectiveness on an annual basis, and if considered necessary by compliance committee, at frequency as it considered appropriate.

The compliance committee has three members comprising Prof. Lai Kin Keung, Mr. Lam Yiu Kin and Mr. Lu Tak Ming, all of whom are our independent non-executive Directors. The chairman of the compliance committee is Mr. Lam Yiu Kin.

COMPENSATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

An aggregate sum of approximately HK$1,815,000, HK$1,169,000 and HK$1,226,000 was paid to our Directors as remuneration and benefits in kind by our Group for the years ended 31 March 2012, 2013 and 2014 respectively. Our Company reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in our Group's operations.

Upon Listing, in determining the amount of remuneration of our Directors, the remuneration committee will consider the compensation levels adopted by companies of similar size engaging in similar business. Our executive Directors, in aggregate, will also be entitled to a management bonus on an discretionary basis. This remuneration structure will continue to be adopted after the Listing.

An aggregate sum of approximately HK$580,833 will be paid to our executive Directors as remuneration and benefits in kind by our Group for the year ending 31 March 2015 under the arrangements in force at the date of this prospectus excluding management bonus. The annual fees for Prof. Lai Kin Keung and Mr. Lu Tak Ming will be HK$75,000 and for Mr. Lam Yiu Kin will be HK$100,000. None of our independent non-executive Directors is expected to receive any other remuneration for holding their office, save and except for the options which may be granted under the Share Option Scheme.

In respect of the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. Further information is set out in note 13 of the Accountants' Report set out in Appendix I to this prospectus. Further information about the service contracts entered into between our Company and our Directors is set out in the paragraph headed "Further information about Directors, management and staff" in Appendix IV to this prospectus.

SERVICE CONTRACTS OF DIRECTORS

Each of Mr. Chan, Mr. Fok and Mr. Tsang, all being our executive Directors, has entered into a service contract with our Company (details of which are disclosed in the paragraph headed "Particulars of service contracts" in Appendix IV to this prospectus).

INTERNAL CONTROLS

Our Board has the authority to determine our internal management organisation and corporate governance. Our Group has defined the responsibility and authority of our Board and our senior management personnel through the Articles and internal policies.

We have adopted certain internal control policies to manage and minimise financial and other risks to ensure timely and accurate preparation and reporting of financial information and to monitor compliance with laws by the senior management personnel of our Group in the performance of their duties.

We have also established internal control policies to ensure compliance with the applicable laws, rules and regulations (including the GEM Listing Rules), including but not limited to, the duties of our Directors, continuing disclosure obligations, guidelines on disclosure of related party transactions and code for securities transactions by our Directors. Our Board and our company secretary will be chiefly responsible for such matters and our Group has adopted a system whereby our Directors may seek independent professional advice as appropriate in discharging their duties at our Company's costs.

We have also established the audit committee responsible for reviewing and approving our Group's financial reporting process and internal control system.

With respect to potential conflict of interests, our internal control policies require our Directors to notify our Board should such situation arise and the matter must be considered in the presence of at least one independent non-executive Director who, and whose associates, have no material interest in the transaction concerned. Our Director(s) to whom the potential conflict of interest is related must abstain from voting on our Board's decision.

However, certain control procedures, which are new and were introduced after the Reorganisation, may need further adjustment and development to operate effectively. Our Directors will, if required, establish additional policies and procedures.

CORPORATE GOVERNANCE MEASURES

We are aware that, upon Listing, we will be required to comply with stringent requirements concerning internal controls and corporate governance stipulated under the GEM Listing Rules. In this regard, our Company will undertake the following steps to improve the protection of minority Shareholders, to ensure that the management of our Company will adhere to the applicable laws, rules and regulations (including the GEM Listing Rules) for a company listed on the Stock Exchange, and to enhance internal controls:

(a) our Company adopted the new Articles by the written resolutions of the sole Shareholder, Genius Idea, passed on 30 June 2014 in compliance with requirements of the New Companies Ordinance and the GEM Listing Rules. The Articles prohibit any Director from voting (nor shall he be counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or proposal in which he/she or any of his/her associate(s) has/have any material interest, and if he/she shall do so his/her vote shall not be counted (nor shall he be counted in the quorum for that resolution);

(b) Our Company will defer or pass to our independent non-executive Directors all matters to which our Group has or may have a conflict of interest for consideration and decision (such matters include, but not limited to, (i) the exercise of option(s) which relate(s) to any Connected Persons; and (ii) any transactions between our Company and the Connected Persons). Our Controlling Shareholders have undertaken to provide all information necessary for our Company and our independent non-executive Directors to enforce the Deed of Non-competition or to assess whether or not there is a breach of such non-competition undertaking;

(c) our Legal Advisers as to Hong Kong law provided appropriate training to all Directors concerning the requirements of, amongst others, the GEM Listing Rules; further training programs will be provided by external legal adviser, David Lo & Partners, on an annual basis to update our Directors and senior management on the relevant Hong Kong laws and regulations including the New Companies Ordinance, GEM Listing Rules and Takeovers Code, which are relevant to the compliance of our Company and other laws and regulations relevant to our Group's operation. Our company secretary, who is familiar with the New Companies Ordinance, GEM Listing Rules and Takeovers Code and related compliance matters will advise our Directors on matters relating to our Company's and our Directors' obligations from time to time;

(d) by the written resolutions of the sole Shareholder, Genius Idea, passed on 30 June 2014, our Company appointed three independent non-executive Directors who will make autonomous determinations on matters which may affect the minority Shareholders' interests. Any conflicts in the interests of minority and majority Shareholders will be reported in both Board and Shareholders meetings, thus preventing our Controlling Shareholders from adversely affecting the legal rights of other Shareholders in voting; and

(e) our Group has appointed the Sponsor as our compliance adviser, particulars of the terms of appointment are set forth under the paragraph headed "Compliance adviser" in this section.

EMPLOYEES

As at 31 March 2012, 2013 and 2014, we had 15, 16 and 26 employees, respectively. The breakdown of our Group's employees by functions is set out below:

	Total number of employees			
Function	**as at 31 March 2012**	**as at 31 March 2013**	**as at 31 March 2014**	**as at the Latest Practicable Date**
Design	2	3	4	4
Operation	3	3	3	6
Project	5	5	9	6
Accounting/Finance	1	1	4	4
Marketing	2	2	2	2
Support	2	2	4	5
Total	15	16	26	27

Our Group has implemented a number of incentive schemes in recent years aiming to enhance the productivity of the employees. Our Group conducts periodic staff appraisals for the employees and their salaries are based on performance. In addition, it is our policy to provide training to our staff on a needed basis to enhance their technical and product knowledge. We believe such initiatives have contributed to the increased employee productivity.

Our Group has not experienced any strikes or other labour disturbances which have interfered with our operations during Track Record Period, and our Directors believe that our Group has positive relations with our employees.

EMPLOYEES' BENEFITS PROVIDED BY OUR GROUP

In Hong Kong, we have participated in a mandatory provident fund scheme for our employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, pursuant to which selected participants may be granted options to subscribe for Shares as incentives or rewards for their service rendered to our Group. A summary of the principal terms of the Share Option Scheme is set forth in the paragraphs headed "Share Option Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Altus Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company in the following circumstances:

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

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share buy-backs;

(3) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 of the GEM Listing Rules.

Pursuant to Rule 6A.24 of GEM Listing Rules and the compliance adviser's agreement entered into between the compliance adviser and our Company, the compliance adviser will, among other things:

(1) ensure our Company is properly guided and advised as to compliance with the GEM Listing Rules and all other applicable laws, rules, codes and guidelines;

(2) accompany our Company to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange;

(3) in relation to any application by our Company for a waiver from any of the requirements in Chapters 19 and 20 of the GEM Listing Rules, advise our Company on our obligations and in particular the requirement to appoint an independent financial adviser; and

(4) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, if any inadequacies identified, recommend necessary remedial steps to our Directors.

Term

The term of the appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date ("Term").

Duties of our Company

Our Company shall fully comply with and discharge our responsibilities under the GEM Listing Rules and other applicable laws, regulations and codes relating to securities and corporate governance that are applicable to our Company.

During the Term, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the circumstances as required under Rule 6A.23 of the GEM Listing Rules.

Termination

The compliance adviser's agreement can be terminated by either party upon giving the other party not less than one month's prior written notice.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

The Controlling Shareholders, being Mr. Chan and Genius Idea are regarded as a group of controlling shareholders acting in concert to exercise their voting right in our Company. Genius Idea is wholly-owned by Mr. Chan and will be interested in a total of 75% of the total number of issued Shares of our Company upon completion of the Bonus Issue and the Placing (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Save as disclosed, Mr. Chan does not have any other direct or indirect shareholding in our Company.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Management independence

We have our own management team with substantial experience and expertise in the industry in which our Group is engaged, independent from the Controlling Shareholders save for Lee Yuk Pui Kawina, who is the spouse of Mr. Chan or their respective associates.

The principal business of Genius Idea is investment holding while Mr. Chan does not have any other business or investment which competes with our business.

Our Directors are satisfied that we can manage our business independently from the Controlling Shareholders and their respective subsidiaries particularly with respect to the following factors:

(a) Board structure

The Board comprises six Directors, among them three independent non-executive Directors who have extensive experience in different areas or are professionals and are appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

Our Directors believe that the presence of our Directors from different backgrounds provides a balance of opinion. Furthermore, our Board acts collectively by majority decisions in accordance with the Articles of Association and the laws, and no single Director is supposed to have any decision-making power unless authorised by the Board.

(b) Disclosure of interest

According to the Articles of Association, if any Director or any of his associates or an entity connected with him is in any way, directly or indirectly, materially interested in a contract or arrangement or proposed contract or arrangement with our Company that is significant in relation to our Company's business ("Interested Director"), he shall declare the nature and extent of such interest to the Board at his earliest convenience in accordance with sections 536 to 538 of the New Companies Ordinance and the Articles.

In addition, such Interested Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving such contract or arrangement or other proposal in which he or any of his associates is to his knowledge materially interested except in certain circumstances as set out in the Articles as summarised in Appendix III to this prospectus.

However, for good corporate governance practice, an Interested Director shall absent himself from any board meeting, or the relevant part of the meeting, at which matter(s) in which he has a material interest is (are) discussed, unless he is specifically requested to attend or to remain in the meeting by our Directors who have no interest in such matter(s).

(c) Participation in board meeting and voting therein

According to the Articles of Association, each Director is entitled to one vote in meetings of our Board and a simple majority is required to approve any business considered therein.

(d) Appointment of committees

According to the Articles of Association, our Directors may appoint committees consisting of such persons as they think fit and may delegate any of their powers to any such committee and such exercise of powers so delegated must conform to any regulations that may from time to time imposed by our Directors.

(e) Participation in general meeting and voting therein

The Articles of Association do not impose any restriction on Shareholders to attend general meetings of our Company nor to vote on any resolution proposed therein; however where our Company has knowledge that any Shareholder, under the GEM Listing Rules, is required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

Any transaction between our Group and our Controlling Shareholders or their associates will be governed by Chapter 20 of the GEM Listing Rules, which provides that certain categories of connected transactions shall be subject to notification, announcement and/or independent Shareholders' approval.

Genius Idea, as a Shareholder, has the right to attend any general meeting of our Company through its authorised representative. However, it shall not vote on any resolution proposed at a general meeting in approving any contract or arrangement or other proposal in which Mr. Chan or his associate(s) has any material interest when independent Shareholders' approval is required under Chapter 20 of the GEM Listing Rules.

Operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Board has full rights to make all decisions on, and to carry out, our own business operations independently. Although Mr. Chan, being one of our Controlling Shareholders, is an executive Director and our Chairman, our Group has our own management team, of which most members are independent from our Controlling Shareholders, having served our Group for a substantial period of time and have substantial experience in the industry in which our Group is engaged.

We operate independently from our Controlling Shareholders and their respective associates and our Controlling Shareholders does not have any other business or investment which competes with our business. We have independent access to our customers and materials suppliers and can use our own intellectual properties without relying on the Controlling Shareholders.

Having considered the above, our Directors are satisfied that our business is delineated from the business or investment of our Controlling Shareholders and there is no competition between the parties. As such, our Directors and the Sponsor are satisfied that we can operate independently from our Controlling Shareholders and their respective associates.

Financial independence

We have our own accounting and finance department and independent financial system and makes financial decisions according to our own business needs. Our Directors confirm that as at the Latest Practicable Date, we were not indebted to any of the Controlling Shareholders.

As at the latest practicable date for the purpose of the statement of indebtedness, we had total bank borrowings of approximately HK$5.3 million, which were secured by a personal guarantee given by Mr. Chan. It is expected that such guarantees will be released upon Listing. Therefore, there is no financial dependence on the Controlling Shareholders or any of their respective associates.

NON-COMPETITION UNDERTAKINGS

Our Group is principally engaged in the provision of service for customers from design, project implementation and management to procurement of furnishings and materials. Our Controlling Shareholders confirm that they do not have any businesses or interests which compete or may compete with the business of our Group.

Each of our Controlling Shareholders has provided non-competition undertakings in favour of our Company (for itself and as trustee for each of our subsidiaries) under the Deed of Non-competition, pursuant to which Mr. Chan and Genius Idea, jointly and severally, warrant and undertake with our Company that they shall and shall procure their respective associates (other than our Group), not to, during the period commencing on the Listing Date and ending on the earlier of (a) the day on which the Shares have been withdrawn from listing or ceased to be listed on the Stock Exchange; and (b) six months after the day when the Controlling Shareholders legally and beneficially cease to be a Controlling Shareholder ("Restricted Period"):

(i) either on his/its own account or in conjunction with or on behalf of any person, firm or company (except through any member of our Group) and whether directly or indirectly, carry on, engage, invest or be interested or otherwise involved in (whether as a shareholder, partner, agent or otherwise and whether for profit or otherwise) all the business and affairs carried out by our Group or any member of our Group, from time to time, which as at the date of the Deed of Non-competition was engaged in the provision of service for customers from design, project implementation and management to furnishings and decorative materials procurement ("Restricted Activity") or any business that is in competition with or is likely to be in competition with the Restricted Activity or in which any member of our Group is engaged or has invested or is otherwise involved;

(ii) either on his/its own account or for any person, firm or company solicit, interfere with or endeavour to entice away business from any person who at any time during the Restricted Period has dealt with our Company or any other member of our Group or who immediately prior to the expiry of the Restricted Period is in the process of negotiating with our Company or any other member of our Group in relation to the Restricted Activity; and

(iii) directly or indirectly, employ or solicit for employment or entice away from our Group any person who has during the Restricted Period been a director, officer, manager, employee, agent or servant of or consultant to any member in our Group and who by reason of such employment is or may be likely to be in possession of any confidential information in relation to our Group.

The Deed of Non-competition does not apply to the holding by the Controlling Shareholders and/or their respective associates of:

(i) any interests in the Shares and other securities of any member of our Group and exercising his/its rights as a Shareholder; and/or

(ii) interests in shares or other securities in a company that engages in the Restricted Activity, provided that such shares or securities are listed on a recognised stock exchange and (a) the aggregate interest (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) of the Controlling Shareholders and their respective associates does not exceed 5.0% of the issued share capital of the company concerned; and (b) the relevant Controlling Shareholder and his/its respective associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors or management of that company and that at all times there should exist a shareholder of that company (together, where appropriate, with his or its associates) whose shareholdings in that company should be more than that collectively held by the relevant Controlling Shareholder and his/its respective associates.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Bonus Issue and the Placing, the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Capacity	Number of Shares	Percentage of shareholding
Genius Idea *(Note 1)*	Beneficial owner	225,000,000	75%
Mr. Chan *(Note 1)*	100% shareholder of Genius Idea	225,000,000	75%
Lee Yuk Pui Kawina *(Note 2)*	Family interest	225,000,000	75%

Notes:

1. The Shares are owned by Genius Idea, a company wholly-owned by Mr. Chan.

2. Lee Yuk Pui Kawina is the spouse and hence an associate of Mr. Chan under the SFO, and therefore is deemed to be interested in all the Shares in which Mr. Chan is interested.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Bonus Issue and the Placing, have an interest or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Each of our Substantial Shareholders confirms that he/she/it does not have any business or interest which competes or may compete with the business of our Group.

UNDERTAKINGS

Pursuant to Rule 13.16A of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that he/it shall not and shall procure that the relevant registered holder(s) shall not:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date 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 he/it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the period referred to in (a) above expires, 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 referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances the Controlling Shareholders would, either individually or taken together with the others of them, cease to be a Controlling Shareholder.

SHARE CAPITAL

The following table sets forth information with respect to the share capital structure of our Company after completion of the Placing and Bonus Issue.

Shares in issue or to be issued, fully paid or credited as fully paid:		*HK$*	**Cumulative paid-up capital** *HK$*
2	Shares in issue	2	2
224,999,998	Shares to be issued under the Bonus Issue	—	2
75,000,000	Shares to be issued under the Placing		
	(a) at Placing Price of HK$0.50	37,500,000	37,500,002
	(b) at Placing Price of HK$0.70	52,500,000	52,500,002
300,000,000	Shares		

Assumptions

The above table assumes the Placing becomes unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or bought back by our Company pursuant to the general mandates granted to our Directors to allot and issue or buy-back Shares referred to in the paragraph headed "General mandate to issue Shares" or the paragraph headed "General mandate to buy-back Shares" in this section, as the case may be.

Minimum public float

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the total number of issued Shares of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Bonus Shares and the Placing Shares will rank equally with all the 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 prospectus.

BONUS ISSUE

Pursuant to the resolutions in writing of the sole Shareholder, Genius Idea, passed on 30 June 2014, a total of 224,999,998 Shares credited as fully paid and without payment to Genius Idea, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects conditional upon Listing with the Shares in issue (save for the right to participate in the Bonus Issue).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed "Conditions of the Placing" under the section headed "Structure and conditions of the Placing" of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirements that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the aggregate number of the issued Shares of our Company in issue immediately following completion of the Bonus Issue and the Placing; and

(b) the aggregate number of the issued Shares of our Company bought back pursuant to the authority granted to our Directors as referred to in the paragraph headed "General mandate to buy-back Shares" in this section.

This mandate does not cover the Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable law or the Articles; and

(c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed "Resolutions in writing of the sole Shareholder, Genius Idea, passed on 30 June 2014" in Appendix IV to this prospectus.

GENERAL MANDATE TO BUY BACK SHARES

Conditional on the fulfillment of the conditions as stated in the paragraph headed "Conditions of the Placing" under the section headed "Structure and conditions of the Placing" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers of the Company to buy back on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules or equivalent rules or regulations of such other stock exchange, up to a maximum number equivalent to 10% of the aggregate number of the issued Shares of the Company in issue immediately following completion of the Placing and the Bonus Issue but without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.

A summary of the relevant GEM Listing Rules is set out in the paragraph headed "Buy-back by our Company of its own securities" in Appendix IV to this prospectus.

The general mandate to buy back Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable law or the Articles; and

(c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed "Resolutions in writing of the sole Shareholder, Genius Idea, passed on 30 June 2014" in Appendix IV to this prospectus.

The following discussion and analysis should be read in conjunction with the financial information of our Group for the three years ended 31 March 2012, 2013 and 2014 as set out in the accountants' report contained in Appendix I to this prospectus. The financial information of our Group has been prepared in accordance with HKFRS, which differ in certain significant respects from generally accepted accounting principles in certain other countries. For further information, please refer to the accountants' report contained in Appendix I to this prospectus. Prospective investors are advised to read the whole of the accountants' report set out in Appendix I to this prospectus and do not rely solely on the information provided in this section.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in the section headed "Risk factors" of this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

Our Group is a design and fitting-out business based in Hong Kong which provides a one-stop service for customers ranging from design, project implementation and management to procurement of funishings and materials. We have been conducting our business since 2004, through our principal operating subsidiary, Karlson, in Hong Kong. Our Group has expanded its business to Singapore in 2012 through Hotel Sourcing Singapore, another subsidiary of our Group incorporated in Singapore with limited liability, and recently further expanded the business to Malaysia. We have accumulated experience in a variety of design and fitting-out works, including design and fitting-out of schools, hotels, commercial and retail premises and residential units.

During the Track Record Period, we generated revenue principally from contracts to provide design and fitting-out services as well as design and procurement of furnishings and materials services. For each of the years ended 31 March 2012, 2013 and 2014, our Group recorded revenue of approximately HK$57.0 million, HK$73.3 million and HK$95.9 million respectively, and profit attributable to owners of our Company of approximately HK$3.6 million, HK$18.4 million and HK$9.6 million respectively. Details of the breakdown of revenue by business activities of our Group are set out in note 7 to the accountants' report set out in Appendix I to this prospectus.

BASIS OF PREPARATION

The financial information of our Group has been prepared by our Directors based on the financial statements of our Group in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), on the basis set out in note 3 to the accountants' report set out in Appendix I to this prospectus, with no adjustments thereto.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial condition and results of operation and are set forth in note 3 of the accountants' report set out in Appendix I to this prospectus. The following paragraphs discuss certain significant accounting policies applied in preparing our Group's financial information.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discounts and sales related taxes.

(i) For design and fitting-out services and design and procurement of furnishings and materials services

Where the outcome of a construction contract in relation to the provision of the aforesaid services 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, as measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. 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 probable 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 receipt in advances.

Amounts billed for work performed but not yet paid by the customers are included in the consolidated statements of financial position under trade receivables.

(ii) For the sales of furnishings and materials

Revenue is recognised when the furnishings and materials are delivered and title has passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the furnishings and materials;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the furnishings and materials sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Plant and equipment

Plant and equipment held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of plant and equipment less their residual value, if any, using the diminishing balance method over their estimated useful lives or depreciation rates as follows:

Leasehold improvement	Shorter of unexpired lease term or useful life of three years
Furniture and fixtures	30%
Office equipment	30%
Motor vehicles	30%

Financial assets

Our Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from the ultimate holding company and related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

(ii) Impairment loss on 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 default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, that are assessed and to be impaired individually. Objective evidence of impairment for a receivable could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

Financial liabilities

Our Group's and our Company's other financial liabilities including trade and other payables, amounts due to subsidiaries, a related party and our Directors, obligation under finance lease, unsecured bank borrowing and bank overdraft are subsequently measured at amortised cost using the effective interest method.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty as 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 set out in note 4 to the accountants' report set out in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our operating results are most significantly affected by the following factors:

(i) Pricing of our contracts

The majority of our revenue during the Track Record Period is derived from our projects generally obtained by means of contracts. The contract price of our projects is based on our estimated project costs and time. We have to strike a balance between pricing our projects sufficiently competitively whilst maintaining adequate profit margin. Pricing is particularly important for our projects since once the contract price is fixed, we will have to bear any cost increment due to unforeseen circumstances, save and except in the event of any variation orders agreed in advance between the parties.

(ii) Our Group's business is project-based

Our Group's business is project-based. The types of projects carry out will vary and, in turn, the revenue mix of our Group may fluctuate from time to time.

(iii) We determine the contract price and quotation based on estimated time and costs. However, due to factors beyond our control, more time and/or costs may be incurred in the actual implementation of a project, thus affecting our profitability.

Factors such as shortage and cost escalation of materials and labour, additional variations to the plans requested by our customers or because of technical needs, disputes with sub-contractors, accidents and other unforeseen problems and circumstances may affect the time taken and the costs actually involved in completing our projects. Any one of the above factors may give rise to delays in completion of works or costs overruns or even unilateral termination of projects by our customers.

(iv) Our business is largely dependent on the global and regional economic environment

If Hong Kong, Singapore or Malaysia experiences a slow-down in its respective economy, and/or there is a slow-down of the economic and political developments in the PRC, and/or there is a global recession, and/or there are regulatory changes, including changes to the Individual Visit Scheme, visa requirements or other restrictions imposed on foreign tourists traveling to Hong Kong by either the Hong Kong government or other governments, there may be a significant and/or prolonged impact on travel to Hong Kong. The demand for design and fitting-out projects by property developers, retail shop operators, home owners and hotel owners in Hong Kong, Singapore and Malaysia may decrease significantly, which might affect the business and financial condition of our Group.

(v) We face keen competition in our industry in Hong Kong, Singapore and Malaysia.

Our Group competes with other design and fitting-out companies in Hong Kong, and design and procurement of furnishings and materials companies in Hong Kong, Singapore and Malaysia. In order to survive, market participants have to, not only come up with new creative designs and skills, but also cut their prices and sacrifice their profit in order to successfully secure projects. In addition, we believe that the entrance barrier to our business is low and accordingly we may face keen competition in the future if there are new comers who are able to offer services of higher quality at lower prices. If we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be materially and adversely affected.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth our consolidated statement of profit or loss and other comprehensive income for the three years ended 31 March 2012, 2013 and 2014, as derived from the accountants' report set out in Appendix I to this prospectus.

Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	56,978	73,310	95,887
Cost of sales	(45,200)	(44,565)	(70,026)
Gross profit	11,778	28,745	25,861
Other income	55	13	34
Administrative expenses	(7,201)	(6,796)	(13,903)
Finance costs	(34)	(24)	(44)
Profit before tax	4,598	21,938	11,948
Income tax expense	(955)	(3,567)	(2,303)
Profit for the year attributable to owners of our Company	3,643	18,371	9,645
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	—	29	154
Total comprehensive income for the year attributable to owners of the Company	3,643	18,400	9,799

PRINCIPAL CONSOLIDATED STATEMENT OF PROFIT OR LOSS LINE ITEMS

Revenue

We generated revenue principally from contracts to provide design and fitting-out services as well as design and procurement of furnishings and materials services. Our total revenue was approximately HK$57.0 million, HK$73.3 million and HK$95.9 million for the years ended 31 March 2012, 2013 and 2014 respectively.

Overall revenue has increased from approximately HK$57.0 million for the year end 31 March 2012 to approximately HK$73.3 million for the year ended 31 March 2013, representing a year-on-year increase of approximately 28.66%. Such increase was the result of the expansion of our business to design and procurement of furnishings and materials services as a complement to our design and fitting-out services. The overall revenue increased from approximately HK$73.3 million for the year ended 31 March 2013 to approximately HK$95.9 million for the year ended 31 March 2014, representing an increase of approximately 30.80%. Such increase was the result of our Group undertaking design and fitting out contracts with higher value than in 2013. Accordingly, our Group recorded an increase in overall revenue. Please also refer to the year-on-year change in our customer portfolio and the number of projects carried out by our Group as described in paragraph 7 "Customers" of the section headed "Business" of this prospectus. Detailed discussions of the breakdown by our types of projects are set out below.

Breakdown by types of projects

Set out below is the table of our revenue breakdown by our types of projects:

	For the year ended 31 March					
	2012		**2013**		**2014**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Design and fitting-out services	56,457	99.09	44,620	60.87	68,546	71.49
Design and procurement of furnishings and materials services:						
— Sales of furnishings and materials	402	0.70	553	0.75	266	0.28
— Procurement of furnishings and materials	119	0.21	28,137	38.38	27,075	28.23
Sub-total	*521*	*0.91*	*28,690*	*39.13*	*27,341*	*28.51*
Total	56,978	100.00	73,310	100.00	95,887	100.00

Revenue mix comparison

For the year ended 31 March 2012, revenue from design and fitting-out services represented approximately 99.09% of the total revenue of our Group; and the balance of approximately 0.91% of the total revenue of our Group was generated from design and procurement of furnishings and materials services. During the year ended 31 March 2012, our Group has carried out 41 projects for 26 customers. During the same year, there were 16 new customers, among which there were 14 new customers for design and fitting-out services and 2 new customers for design and procurement of furnishings and materials, contributing revenue of an aggregate amount of approximately HK$3.9 million and HK$122,000 respectively. With the extension of our design and procurement of furnishings and materials services to customers of design and fitting-out services, the percentage composition of our total revenue between revenue from design and fitting-out services and revenue from design and procurement of furnishings and materials services for the year ended 31 March 2013 were approximately 60.87% and 39.13% respectively. During the year ended 31 March 2013, our Group has carried out 48 projects for 26 customers. During the same year, there were 11 new customers, among which there were 8 new customers for design and fitting-out services and 3 new customers for design and procurement of furnishings and materials, contributing revenue of an aggregate amount of approximately HK$4.6 million and HK$28.3 million respectively.

As our Group's business is project-based, the types of projects which we carried out would vary, depends on our customer's specification. As shown in the table above, for the year ended 31 March 2014, the percentage composition of our total revenue between revenue from design and fitting-out services and revenue from design and procurement of furnishings and materials services were approximately 71.49% and 28.51% respectively. During the year ended 31 March 2014, our Group has carried out 43 projects for 21 customers. During the same period, there were 9 new customers, among which there were 7 new customers for design and fitting-out services and 2 new customers for design and procurement of furnishings and materials, contributing revenue of an aggregate amount of approximately HK$6.0 million and HK$26.3 million respectively.

Individual types of projects comparison

On individual types of projects basis, revenue from design and fitting-out services decreased from approximately HK$56.5 million for the year ended 31 March 2012 to approximately HK$44.6 million for the year ended 31 March 2013, representing a decrease of approximately 20.97%; we have extended our design and procurement of furnishings and materials services to customers of design and fitting-out services, thus revenue from design and procurement of furnishings and materials services increased from approximately HK$0.5 million for the year ended 31 March 2012 to approximately HK$28.7 million for the year ended 31 March 2013, representing an increase of approximately 54.07 times. During the year ended 31 March 2012, there were 33 projects relating to design and fitting-out services and 8 projects for design and procurement of furnishings and materials services. During the year ended 31 March 2013, there were 39 projects relating to design and fitting-out services and 9 projects for design and procurement of furnishings and materials services.

Revenue from design and fitting-out services increased from approximately HK$44.6 million for the year ended 31 March 2013 to approximately HK$68.5 million for the year ended 31 March 2014, representing an increase of approximately 53.62% for the same reason above. Revenue from design and procurement of furnishings and materials services decreased from approximately HK$28.7 million for the year ended 31 March 2013 to approximately HK$27.3 million for the year ended 31 March 2014, representing a decrease of approximately 4.70%. During the year ended 31 March 2014, there were 31 projects relating to design and fitting-out services and 12 projects for design and procurement of furnishings and materials services.

As explained above, the fluctuation to the revenue mix of our Group from time to time is mainly due to our Group's business is project-based, which is affected by different external factor beyond our Group's control, such as customer preference. Also, we believe that the driver for the growth of our Group's business is the diversification of our customer portfolio.

Breakdown by types of properties for which we carried out our projects

Set out below is the table of our revenue breakdown by the types of properties for which we carried out our projects:

	For the year ended 31 March					
	2012		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Design and fitting-out services:						
Hotels	47,629	83.60	32,392	44.18	47,136	49.16
Schools	—	—	3,274	4.47	—	0.00
Commercial and retail premises	1,213	2.13	5,649	7.71	12,281	12.81
Private residential projects	7,615	13.36	2,755	3.76	9,129	9.52
Others	—	—	550	0.75	—	0.00
Sub-total	56,457	99.09	44,620	60.87	68,546	71.49
Design and procurement of furnishings and materials services:						
Hotels	53	0.09	11,772	16.06	21,404	22.32
Schools	119	0.21	16,365	22.32	5,674	5.92
Commercial and retail premises	344	0.60	406	0.55	263	0.27
Private residential projects	5	0.01	—	—	—	0.00
Others	—	—	147	0.20	—	0.00
Sub-total	521	0.91	28,690	39.13	27,341	28.51
Total	**56,978**	**100.00**	**73,310**	**100.00**	**95,887**	**100.00**

When our Group began operation in 2004, we were principally providing design and fitting-out services for individual customers on private residential projects. Over the years, we gained experience and confidence with our customers, sub-contractors and materials suppliers, who became our recurring customers and our long term sub-contractors and materials suppliers. In 2005, we tapped into the corporate market and secured our first major design and fitting-out contract with Far East Group in Hong Kong. Thereafter, we have continued to promote our design and fitting-out services to other hotel groups in Hong Kong and secured new and/or recurring design and fitting-out contracts for new hotels under construction or existing hotels with renovation plans. After several years of co-operation in terms of design and fitting-out services with hotel groups in Hong Kong, we secured a design and procurement of furnishings and materials services contract for services rendered in the year ended 31 March 2013 for a hotel project in Singapore. Following the completion of the contract in Singapore, we (through our Singapore subsidiary) tendered and secured a contract for our design and procurement of furnishings and materials services for another hotel project in Kuala Lumpur, Malaysia. Hence, due to the reason above, though the number of hotels and schools projects were less than private residential projects, the contract value of those projects were usually larger. The revenue generated from hotels and schools projects for both design and fitting-out services and design and procurement of furnishings and materials services represent the majority of revenue during the Track Record Period.

For the year ended 31 March 2012, revenue from projects related to hotels and schools, commercial and retail premises, and private residential projects was principally recognised by provision of the design and fitting-out services (i.e. approximately 99.09% of the total revenue of our Group as mentioned above); of which approximately HK$47.6 million were from projects related to hotels and schools (representing approximately 83.60% of the total revenue of our Group), approximately HK$1.2 million were from projects related to commercial and retail premises (representing approximately 2.13% of the total revenue of our Group), and approximately HK$7.6 million were from projects related to private residential projects (representing approximately 13.36% of the total revenue of our Group) respectively. The balance of approximately 0.91% of the total revenue of our Group was related to design and procurement of furnishings and materials services.

For the year ended 31 March 2013, revenue from projects related to hotels and schools, commercial and retail premises, and private residential projects was generated from a mix of the design and fitting-out services and the design and procurement of furnishings and materials services (in particular for projects related to hotels and schools) in the proportion of approximately 60.87% to 39.13%. For design and fitting-out services, approximately HK$35.7 million was received from projects related to hotels and schools (representing approximately 48.65% of the total revenue of our Group), approximately HK$5.6 million was from projects related to commercial and retail premises (representing approximately 7.71% of the total revenue of our Group), approximately HK$2.8 million was from projects related to private residential projects (representing approximately 3.76% of the total revenue of our Group) and approximately HK$0.6 million was from others (representing approximately 0.75% of total revenue of our Group respectively. For design and procurement of furnishings and materials services, approximately HK$28.1 million was from projects related to hotels and schools (representing approximately 38.38% of the total revenue of our Group), approximately HK$0.4 million was from projects related to commercial and retail premises (representing approximately 0.55% of the total revenue of our Group); and approximately HK$0.1 million was from others (representing approximately 0.20% of the total revenue of our Group) respectively.

For the year ended 31 March 2014, in relation to design and fitting-out services, approximately HK$47.1 million was from projects related to hotels and schools (representing approximately 49.16% of the total revenue of our Group), approximately HK$12.3 million was from projects related to commercial and retail premises (representing approximately 12.81% of the total revenue of our Group); and approximately HK$9.1 million was from projects related to private residential projects (representing approximately 9.52% of the total revenue of our Group) respectively. In relation to design and procurement of furnishings and materials services, approximately HK$27.1 million was from projects related to hotels and schools (representing approximately 28.2% of the total revenue of our Group); and approximately HK$0.3 million was from projects related to commercial and retail premises (representing approximately 0.27% of the total revenue of our Group) respectively.

Breakdown by geographical location

Our Group's revenue from external customers by geographical location of the projects are detailed below:

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	56,978	61,339	74,484
Singapore	—	11,971	922
Malaysia	—	—	20,481
	56,978	73,310	95,887

Given that our customers and projects are principally located in Hong Kong, for the Track Record Period, revenue from Hong Kong was and will continue to be the key contributor to the total revenue of our Group.

As explained above, we were successful in securing a major design and procurement of furnishings and materials services contract in the year ended 31 March 2013 for a hotel project in Singapore and another major contract on design and procurement of furnishings and materials services in the year ended 31 March 2014 for another hotel project in Kuala Lumpur, Malaysia. Accordingly, for the year ended 31 March 2012, 100% of the total revenue of our Group was from Hong Kong; while for the year ended 31 March 2013, of the total revenue of approximately HK$73.3 million, approximately HK$61.3 million was from Hong Kong (representing approximately 83.67% of the total revenue of our Group) and approximately HK$12.0 million was from Singapore (representing approximately 16.33% of the total revenue of our Group) respectively.

For the year ended 31 March 2014, of the total revenue of approximately HK$95.9 million, approximately HK$74.5 million was generated from Hong Kong (representing approximately 77.68% of the total revenue of our Group), approximately HK$0.9 million was from Singapore (representing approximately 0.96% of the total revenue of our Group), and approximately HK$20.5 million was from Malaysia (representing approximately 21.36% of the total revenue of our Group) respectively.

Going forward, we shall continue to concentrate on not only Hong Kong, but also the two other existing markets, namely Singapore and Malaysia. In deciding whether or not to bid for any specific project, we would take into consideration several principal factors including but not limited to profitability of the contract, availability of suitable contracts, our capacity during the duration of the project and the timing of the project. Our Directors are of the opinion that no specific geographic location is particularly more profitable than the others. As such, our Directors believe that the fluctuation in our results of operations during the Track Record Period does not in any way indicate our intention to change our business model or to shift our focus to any specific market.

Cost of sales

Cost of sales mainly represents material costs, workers wages, sub-contracting cost, material transportation, site and workers insurance, project management cost and others. During the Track Record Period, breakdown of our cost of sales were as follows:

	For the year ended 31 March					
	2012		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Material costs	20,024	44.30	25,433	57.07	49,903	71.26
Workers wages	11,228	24.84	4,928	11.06	8,012	11.44
Sub-contracting cost *(Note)*	12,588	27.85	12,097	27.15	8,093	11.56
Transportation cost	853	1.89	1,455	3.26	1,743	2.49
Site/workers insurance	97	0.21	86	0.19	244	0.35
Project management cost	389	0.86	566	1.27	1,182	1.69
Others	21	0.05	—	—	849	1.21
Total	45,200	100.00	44,565	100.00	70,026	100.00

Note: sub-contracting cost includes cost of materials provided by sub-contractors

Materials costs represent more than 40% of our cost of sales. The proportion of material costs increase from 44.30% of cost of sales for the year ended 31 March 2012, to 57.07% for the year ended 31 March 2013. The proportion of material cost further increased to approximately 71.26% for the year ended 31 March 2014. This is partly attributable to the change in type of projects mix. Our Group incurs a higher proportion of material costs but lower costs on wages for manual workers when we provide design and procurement of furnishings and materials service, because such services generally require fewer manual workers.

Sub-contracting cost is also a significant component of our cost of sales. It is approximately 27.85%, 27.15% and 11.56% of our cost of sales for the years ended 31 March 2012, 2013 and 2014 respectively. Sub-contracting cost decreased for the year ended 31 March 2014 partly attributable to the lower sub-contracting cost incurred in Malaysia, as compared to the higher sub-contracting cost incurred in Singapore for the projects carried out during the year ended 31 March 2013, and partly attributable to the fact that the provision of services for design and procurement of furnishings and materials is usually less labour intensive in nature.

Gross profit

During the Track Record Period, our gross profit and gross profit margin by business segments were as follows:

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Gross profit:			
Design and fitting-out	11,458	16,906	16,733
Design and procurement of furnishings and materials services			
— Hong Kong	320	8,212	1,252
— Singapore	—	3,627	266
— Malaysia	—	—	7,610
Sub-total	320	11,839	9,128
Total	11,778	28,745	25,861

	For the year ended 31 March		
	2012	**2013**	**2014**
	%	*%*	*%*
Gross profit margin:			
Design and fitting-out services	20.29	37.89	24.41
Design and procurement of furnishings and materials services	61.42	41.27	33.39
— Hong Kong	61.42	49.12	21.09
— Singapore	—	30.30	28.81
— Malaysia	—	—	37.16
Overall	20.67	39.21	26.97

Overall gross profit increased from approximately HK$11.8 million for the year ended 31 March 2012 to approximately HK$28.7 million for the year ended 31 March 2013, representing an increase of approximately 1.4 times which was due to the same reason as that which led to the increase in total revenue of our Group. As explained above, revenue from design and fitting-out services represented approximately 99.09% of the total revenue of our Group for the year ended 31 March 2012. Hence, over 97.3% of the gross profit for the year ended 31 March 2012 was generated from the design and fitting-out services (with such segment's gross profit margin being approximately 20.29%); with the overall gross profit margin amounting to approximately 20.67%.

The 61.42% gross profit margin from design and procurement of furnishings and materials services recorded for the year ended 31 March 2012 was for a period where provision of design and procurement of furnishings and materials contributed less than 3% of total gross profit. Accordingly, our Directors believe that this gross profit margin should not be used to benchmark our subsequent performance during the Track Record Period.

For the year ended 31 March 2013, the overall gross profit increased by approximately 1.4 times as compared to previous year. Increase in gross profit was recorded for both design and fitting-out services as well as design and procurement of furnishings and materials services. Contribution from design and procurement of furnishings and materials services increased significantly, representing over 40% of total gross profit for the year ended 31 March 2013. Such increase is partly attributable to the success in securing contracts in this segment with a higher margin, as compared to the margins of projects for design and fitting-out services. For the year ended 31 March 2013, the overall gross profit margin increased to approximately 39.21%, as the gross profit margin for design and fitting-out services increased to approximately 37.89% and the gross profit margin for design and procurement of furnishings and materials was approximately 41.27%. Achieving the latter gross profit margin of over 40% was mainly attributable to a project in Hong Kong, where there were specific requirements for furnishings and on the completion date (namely no time allowed for extension). As a result of these requirements, our Group was able to demand for a higher profit margin. As shown in the table above, the gross profit margin for design and procurement of furnishings and materials services in Hong Kong for the year ended 31 March 2013 was approximately 49.12% as compared to approximately 30.30% for those projects in Singapore.

The total gross profit for the year ended 31 March 2014 decreased to approximately HK$25.9 million, representing a decrease of approximately 10.03%. For the year ended 31 March 2014, the overall gross profit margin reduced to approximately 26.97%, as compared to the overall gross profit margin of approximately 39.21% for the year ended 31 March 2013. Gross profit margin for design and fitting-out services dropped from approximately 37.89% for the year ended 31 March 2013 to approximately 24.41% for the year ended 31 March 2014. Gross profit margin for design and procurement of furnishings and materials decreased from approximately 41.27% for the year ended 31 March 2013 to approximately 33.39% for the year ended 31 March 2014. The Directors believe the decrease in gross profit margin for the year ended 31 March 2014 in design and fitting-out services was partly attributable to marketing needs, while decrease in gross profit margin for the year ended 31 March 2014 in design and procurement of furnishing and materials was partly attributable to concession made to a customer which is a non-profit making specialised institute in Hong Kong. As shown in the table above, the gross profit margin for design and procurement of furnishings and materials services in Hong Kong for the year ended 31 March 2014 was approximately 21.09% and lower than those projects in Singapore and Malaysia.

As shown above, gross profit margin for design and procurement of furnishings and materials services are generally higher, as the related projects involved fewer sub-contractors. Also such projects usually involved hotels or schools which have specific requirements for furnishings, that are standardised and can be purchased in bulk, enabling our Group to enjoy economies of scale.

Other income

During the Track Record Period, our other income was as follows:

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	2	2	3
Gain on disposal of financial assets at fair value through profit or loss	15	—	—
Sundry income	38	11	31
	55	13	34

According to the accounting policies of our Group, income generated from design and fitting-out services and from design and procurement of furnishings and materials services are classified as revenue; whilst other income are derived incidentally from our principal businesses (namely, among other things, interests from bank). For the three years ended 31 March 2012, 2013 and 2014, our Group had recorded approximately HK$55,000, HK$13,000 and HK$34,000 of other income respectively.

Administrative expenses

During the Track Record Period, the breakdown of our administrative expenses was as follows:

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Audit fee	230	75	106
Depreciation	221	176	204
Director remuneration	1,763	1,045	1,116
Employees salary and benefit	2,574	3,736	3,656
Exchange loss	—	—	261
Rental and general expenses	1,444	1,119	1,862
Legal and professional fees	107	110	62
Insurance	37	19	167
Listing expenses	—	—	5,420
Loss on disposal of property plant and equipment	56	—	—
Provision of bad debt	108	—	584
Travelling expense	598	487	392
Others	63	29	73
Total	7,201	6,796	13,903

Administrative expenses mainly include employees salary and benefit, rental and general expenses, and listing expense. During the Track Record Period, the administrative expenses amounted to approximately HK$7.2 million, HK$6.8 million and HK$13.9 million for the three years ended 31 March 2012, 2013 and 2014 respectively.

For the year ended 31 March 2014, the administrative expenses increased by approximately 1.05 times from approximately HK$6.8 million for the year ended 31 March 2013 to approximately HK$13.9 million was mainly due to the recognition of approximately HK$5.4 million of listing expenses.

Employees salary and benefit remained at roughly the same level at approximately HK$3.7 million for the two years ended 31 March 2013 and 2014. For details, please refer to the paragraph headed "Employees" under the section headed "Directors, senior management and employees" of this prospectus.

Further explanations of the changes in administrative expenses during the Track Record Period are described below.

Staff cost

The following table shows the breakdown of staff cost of our Group during the Track Record Period:

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Directors' emoluments	1,815	1,169	1,226
Salaries, wages and other benefits (excluding directors' emoluments)	2,546	3,365	3,640
Contribution to defined contribution retirement benefits scheme (excluding directors)	106	179	211
	4,467	4,713	5,077

Our staff costs represented salaries and allowances, and contributions to defined contribution retirement benefits scheme paid and payable to our Directors and staff of our Group. We believe that staff are key assets of our Group and staff costs is a major expense item of our Group which accounted for approximately 61.74%, 69.11% and 36.40% of our total operating and financing expenses for the three years ended 31 March 2012, 2013 and 2014 respectively.

For the year ended 31 March 2012, a sum of approximately HK$54,000 was paid as a benefit in kind to Mr. Chan in relation to the provision of his director's quarter. No such amount is provided for the year ended 31 March 2013 and thereafter.

Retirement benefit scheme

Our Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of our Group, in funds under the control of trustees. Our Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees and subject to a cap of HK$1,500 (HK$1,000 prior to June 2012 and HK$1,250 prior to June 2014) per employee.

Under the laws of Singapore, certain subsidiaries of our Company make contributions to the state pension scheme, the Central Provident Fund ("CPF"). The subsidiary of our Company in Singapore is required to contribute a certain percentage, varying from 5% to 20% of the monthly salaries of their current employees to the CPF for the years ended 31 March 2012, 2013 and 2014.

During the three years ended 31 March 2012, 2013 and 2014, the total contribution to retirement benefit scheme recognised in the consolidated statement of profit or loss were approximately HK$130,000, HK$206,000 and HK$241,000 respectively, which represent contributions payable to these schemes by our Group at rates specified in the rules of the schemes.

Finance costs

Finance costs represented interest on unsecured bank borrowing, bank overdraft and interest on finance lease. The unsecured bank borrowing amounted to HK$686,000 as at 31 March 2012, HK$488,000 as at 31 March 2013 and HK$284,000 as at 31 March 2014. During the years ended 31 March 2012, 2013 and 2014, unsecured bank borrowing bore floating interest rates 3.5%, 3.5% and 3.5% per annum respectively. The bank overdraft amounted to HK$4,985,000 as at 31 March 2014, and it bore interest at a range from 4.25% to 13% per annum during the Track Record Period. The unsecured bank borrowing is guaranteed by Mr. Chan. The finance lease is arranged for a motor vehicle used in normal business operation.

A breakdown of our finance costs for the three years ended 31 March 2012, 2013 and 2014 is presented as follows:

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Interests on:			
— Unsecured bank borrowing wholly repayable within five years	28	21	43
— Finance lease	6	3	1
	34	24	44

Income tax expense

During the Track Record Period, the income tax expense amounted to approximately HK$1.0 million, HK$3.6 million and HK$2.3 million for the years ended 31 March 2012, 2013 and 2014 respectively.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the Track Record Period. Pursuant to the rules and regulations of the BVI, our Group is not subject to any income tax in the BVI. Singapore Corporate Tax has been provided at the rate of 17% on the estimated assessable profits for the Track Record Period.

The effective tax rates of our Group during the Track Record Period were approximately 20.77%, 16.26% and 19.28% for the three years ended 31 March 2012, 2013 and 2014 respectively. The effective tax rate of our Group for the year ended 31 March 2012 of approximately 20.77% was higher than the standard tax rate of Hong Kong of 16.5% as one of the subsidiaries of our Group incurred loss in that year resulting in our Group on consolidated basis recognised a lower profit before tax and thus a higher effective tax rate. For the year ended 31 March 2013, the effective tax rates were lower than the standard tax rate of 16.5% in Hong Kong and 17.0% in Singapore. It was mainly attributable to the partial tax exemption available to Hotel Sourcing Singapore and tax rebate granted by the Singapore Government. The effective tax rate of our Group for the year ended 31 March 2014 of approximately 19.28% was higher than the standard tax rate of Hong Kong of 16.5% due to an increase in listing expenses not deductible for tax purpose.

Profit for the year/adjusted profit for the year attributable to owners of our Company

Based on the above factors, profit for the year ended 31 March 2013 increased to approximately HK$18.4 million, representing an increase of approximately 4.04 times from the profit for the year ended 31 March 2012 of approximately HK$3.6 million. Net profit margin increased from approximately 6.39% for the year ended 31 March 2012 to approximately 25.06% for the year ended 31 March 2013 as a result of the increase of revenue from design and procurement of furnishings and materials services and an improved gross profit margin.

Profit for the year ended 31 March 2014 decreased to approximately HK$9.6 million, representing a decrease of approximately 47.50% from the profit for the year ended 31 March 2013 of approximately HK$18.4 million. Net profit margin decreased from approximately 25.06% for the year ended 31 March 2013 to approximately 10.06% for the year ended 31 March 2014 despite an increase in total revenue, mainly attributable to the reduction in the overall gross profit margin as explained above and the increase in administrative expenses (in particular due to the recognition of listing expenses of approximately HK$5.4 million during the year ended 31 March 2014).

For illustration purposes, adjusted profit is calculated by adding the listing expenses of approximately HK$5.4 million recorded for the year ended 31 March 2014 to the profit before interest and tax for the same year of approximately HK$11.9 million. As a result, the adjusted profit was approximately HK$17.3 million and the adjusted profit margin was approximately 18.11%. The adjusted profit of our Group decreased by approximately 20.83% from approximately HK$22.0 million for the year ended 31 March 2013 to approximately HK$17.3 million for the year ended 31 March 2014. The reasons for the decrease in adjusted profit for the year ended 31 March 2014 include a lower gross profit margin as explained above and an increase in administrative expenses, namely the rental and general expenses, exchange loss and provision of bad debt.

Exchange differences arising on translation of foreign operations

For the purposes of presenting our financial information, the assets and liabilities of our foreign operations were translated into our presentation currency (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses were translated at the average exchange rates for the year.

During the Track Record Period, the exchange differences arising on translation of foreign operations were approximately HK$29,000 and HK$154,000 for the years ended 31 March 2013 and 2014 respectively.

Dividend

The dividends paid by our Company's subsidiaries to their then shareholders in respect of the year ended 31 March 2013 amounted to approximately HK$6,175,000. No dividend was paid for the two years ended 31 March 2012 and 2014.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our working capital and other capital requirements were principally satisfied by cash generated from our operations.

The following table summarises our cash for the period indicated:

	For the year ended 31 March		
	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
Net cash (used in)/from operating activities	(2,768)	17,629	(9,612)
Net cash (used in)/from investing activities	128	(79)	(492)
Net cash (used in)/from financing activities	445	(7,968)	(300)
Net (decrease)/increase in cash and cash equivalents	(2,195)	9,582	(10,404)
Cash and cash equivalents at beginning of the year	3,130	935	10,522
Cash and cash equivalents at end of the year	935	10,522	122

Cash flow from operating activities reflects profit for the year adjusted for non-cash items such as depreciation, the effects of cash flow arising from increases or decreases in trade receivables and other receivables, trade payables and other payables and accruals, and amounts due to /from customers for contract work.

Net cash (used in) generated from operating activities

Net cash from operating activities increased from a net outflow of approximately HK$2.8 million for the year ended 31 March 2012 to a net inflow of approximately HK$17.6 million for the year ended 31 March 2013. Such change was mainly attributable to the increase in profit before tax from approximately HK$4.6 million for the year ended 31 March 2012 to approximately HK$21.9 million for the year ended 31 March 2013 where certain projects with significant contract value were completed and settled during the year ended 31 March 2013. Net cash from operating activities decreased from a net inflow of approximately HK$17.6 million for the year ended 31 March 2013 to a net outflow of approximately HK$9.6 million for the year ended 31 March 2014. Such change was mainly attributable to the increase in trade receivables in particular, (i) the Group has completed a major project and 12 invoices of a total of approximately HK$6.0 million, being the remaining balance of the contract sum, were issued in March 2014; and (ii) the Group has obtained a design and procurement of furnishings and materials project in Malaysia with a significant contract value in March 2014 and an invoice of approximately HK$3.7 million, being a portion of the contract sum, was issued in March 2014. In addition, the trade receivables as at 31 March 2014 increased compared to the previous year, as there was an invoice of HK$13 million for the deposit of a project scheduled to commence work in around June 2014. Please refer to page 166 of this prospectus with regard to a change of payment terms of a contract with a customer subsequent to the year ended 31 March 2014, as a result of which a trade receivable of HK$13.0 million as at 31 March 2014 was revised to approximately HK$1.9 million.

Net cash generated from (used in) investing activities

Cash flow from investing activities mainly comprises payment for the purchase of plant and equipment as well as proceeds from disposal of financial assets at fair value through profit or loss.

Net cash from investing activities was approximately HK$128,000 for the year ended 31 March 2012 due mainly to the proceeds of approximately HK$675,000 from the disposal of financial assets at fair value through profit or loss. Net cash used in investing activities was approximately HK$79,000 for the year ended 31 March 2013 due mainly to the investment in office equipment.

Net cash used in investing activities increased from approximately HK$79,000 for the year ended 31 March 2013 to approximately HK$0.5 million for the year ended 31 March 2014 mainly due to the purchase of plant and equipment.

Net cash generated from (used in) financing activities

Cash flow from financing activities primarily consists of advance from/(repayment to) related parties, (repayment to) advance from Directors and payment of dividends.

Net cash from financing activities was approximately HK$445,000 for the year ended 31 March 2012 due mainly to the advance of approximately HK$2.0 million from related parties less repayment for advance of approximately HK$1.2 million to advance from Directors. Net cash used in financing activities was approximately HK$8.0 million for the year ended 31 March 2013 due mainly to the payment of dividends of approximately HK$6.2 million.

Net cash used in financing activities decreased to approximately HK$300,000 for the year ended 31 March 2014 mainly because our Group ceased to have major repayment items except repayment of unsecured bank borrowing of approximately HK$8,204,000, which was offset by new bank loans of HK$8,000,000 raised during the year.

Cash and cash equivalents at end of the year

Cash and cash equivalents at the end of the year increased from approximately HK$0.9 million for the year ended 31 March 2012 to approximately HK$10.5 million for the year ended 31 March 2013. Such change was mainly attributable to the growth of both our revenue and profit, and the fact that certain projects with significant contract value were completed and settled during the year ended 31 March 2013. Cash and cash equivalents at end of the year decreased from approximately HK$10.5 million for the year ended 31 March 2013 to approximately HK$122,000 for the year ended 31 March 2014. Such change was mainly attributable to an increase in working capital requirements due to increased business activities as described in the paragraph headed "Net cash (used in) generated from operating activities" on page 159 of this prospectus. Our Group has made use of bank overdraft from time to time and the amount recorded as at 31 March 2014 was approximately HK$5.0 million of which approximately HK$2.9 million was utilised to settle professional expense in relation to the listing application in last quarter of the year ended 31 March 2014, and the remaining portion of approximately HK$2.1 million was utilised for our Group's general operation including paying deposit to our suppliers for new projects. Our Directors believe that bank overdraft facility is a suitable means of financing given the nature of our Group's operation, i.e. uneven cash inflow subject to the completion stage of the projects. The interest of the said overdraft facility was charged at 4.25% per annum, being 1% per annum below the prime lending rate of the bank. As at the Latest Practicable Date, our Group has repaid the overdraft via the obtaining of a 2-year term loan from a bank in Hong Kong for HK$5.0 million. The interest of the said 2-year term loan is to be charged at 1.5% per annum below the prime lending rate of the bank. Based on the current prime rate of 5.25%, the said term loan has an interest rate of 3.75% per annum. Assuming this 2-year term loan was in place as at 31 March 2014, the cash and cash equivalents at the end of the year ended 31 March 2014 would have been approximately HK$5.1 million.

WORKING CAPITAL

Our Directors are of the opinion and the Sponsor concurs that taking into account the amount of net proceeds of the Placing, our internal resources and available bank facilities, we have sufficient working capital and financial resources to meet our present requirements for at least the next 12 months from the date of this prospectus.

Capital commitments

As at 31 March 2014, our Group did not have any significant capital commitments.

Financial resources

Prior to the completion of the Placing, our operations and investments were and are financed principally by cash generated from business operations. As at 31 March 2014, our Group had cash and cash equivalents of approximately HK$122,000. We intend to finance our future operations, capital expenditure and other capital requirements with the cash generated from business operations, bank balances, cash available and the net proceeds of the Placing.

Our Directors confirm that our Group had not experienced any: (i) shortfall in cash for meeting its liquidity needs, (ii) difficulty in obtaining credit facilities, (iii) withdrawal or cancellation of facilities, (iv) request for early repayment, (v) defaults in payment, (vi) material breaches of financial covenants of bank borrowings, during the Track Record Period and up to the Latest Practicable Date.

STATEMENT OF INDEBTEDNESS

As at 31 May 2014, being the latest date for the purpose of the indebtedness statement in this prospectus, our Group had outstanding indebtedness of approximately HK$5,250,000 primarily comprising bank borrowings.

The following table sets forth our Group's indebtedness as at the respective financial position dates below:

	Our Group			
	At 31 March			At 31 May
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to a related party	3,450	—	—	—
Amount due to directors	647	—	—	—
Obligation under finance lease-current portion	76	52	—	—
Obligation under finance lease-non current portion	52	—	—	—
Unsecured bank borrowing	686	488	284	5,250
Bank overdraft	—	—	4,985	—
	4,911	540	5,269	5,250

Our Group has borrowed from banks with outstanding balances of approximately HK$686,000, HK$488,000 and HK$5,269,000 as at 31 March 2012, 2013 and 2014 respectively and approximately HK$5,250,000 as at 31 May 2014. Mr. Chan provided personal guarantee to this borrowing.

The unsecured bank borrowing's scheduled maturity is in July 2015 as set out in the loan agreement. During the years ended 31 March 2012, 2013 and 2014, unsecured bank borrowing bore average floating interest rates 3.5%, 3.5% and 3.5% per annum respectively. As at 31 May 2014, our Group has a 2-year term loan for HK$5.0 million. The interest of the said loan is to be charged at 1.5% per annum below the prime lending rate of the bank.

During the year ended 31 March 2014, our Group applied for letter of guarantee for approximately HK$1.4 million in favour of a customer for the subsisting period of the construction contract in accordance with the requirement stipulated in the contract. There was a bank deposit of approximately HK$1.4 million pledged to secure such bank facilities granted to our Group. The said letter of guarantee has expired on 31 December 2013 and the pledge was released.

As at 31 May 2014, our Group did not have any outstanding obligation under hire purchase contract (classified as finance lease for accounting purpose) nor any operating lease commitments that were over one year under operating leases in respect of rented office premises.

As at 31 March 2012, 2013 and 2014 respectively and as at 31 May 2014, our Group has unrestricted unutilised bank facilities (i.e., the draw down of which is not subject to additional conditions) of approximately HK$1.0 million, HK$3.8 million and HK$0.5 million respectively and approximately HK$0.4 million. The bank facilities of approximately HK$1.7 million, HK$4.3 million and HK$5.7 million for the year ended 31 March 2012, 2013 and 2014 respectively, and approximately HK$5.6 million as at 31 May 2014 were secured by personal bank deposit and personal guarantee provided by Mr. Chan. The guarantees will be released and the personal bank deposit will be replaced by our Group's bank deposit is security upon Listing.

As at 31 May 2014, being the latest date for the purpose of the indebtedness statement in this prospectus, there are no material covenants relating to our Group's outstanding debt.

CONTINGENT LIABILITIES

Save as aforesaid, and apart from intra-group liabilities, we did not have any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities outstanding as of the close of business on 31 May 2014, being the date of the indebtedness statement.

Our Directors confirmed that there has not been any material adverse change in our Group's indebtedness and contingent liabilities since 31 May 2014, being the date of the indebtedness statement.

Save for the aforesaid or otherwise disclosed herein and apart from the intra-group liabilities, we did not have, at the close of business on 31 May 2014, any debt securities, or term loans or, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

SELECTED ITEMS OF THE STATEMENT OF FINANCIAL POSITION

The following table sets out selected information from the consolidated statement of financial position.

	Our Group				Our Company
				As at	As at
		As at 31 March		31 May	31 March
	2012	2013	2014	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Non-current assets					
Investments in subsidiaries	—	—	—	—	21,063
Plant and equipment	521	421	732	708	—
	521	421	732	708	21,063
Current assets					
Trade and other receivables	16,328	7,715	34,075	21,364	1,510
Amounts due from customers for contract work	1,177	5,628	7,689	8,454	—
Amount due from the ultimate holding company	15	20	—	—	—
Amounts due from related parties	2,602	—	—	—	—
Tax recoverable	21	560	1,557	2,068	—
Bank balances and cash	935	10,522	5,107	9,854	—
	21,078	24,445	48,428	41,740	1,510
Current liabilities					
Trade and other payables	2,945	815	5,761	8,469	—
Amounts due to customers for contract work	11,576	6,494	13,680	3,090	—
Amount due to subsidiaries	—	—	—	—	6,936
Amount due to a related party	3,450	—	—	—	—
Amounts due to directors	647	—	—	—	—
Obligation under finance lease — current portion	76	52	—	—	—
Income tax payable	976	3,597	1,189	1,204	—
Unsecured bank borrowing	686	488	284	5,250	—
Bank overdraft	—	—	4,985	—	—
	20,356	11,446	25,899	18,013	6,936
Net current assets/(liabilities)	722	12,999	22,529	23,727	(5,426)
Total assets less current liabilities	1,243	13,420	23,261	24,435	15,637

	Our Group				Our Company
				As at	As at
		As at 31 March		31 May	31 March
	2012	2013	2014	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Capital and reserves					
Share capital	—	—	—	—	—
Reserves	1,171	13,396	23,195	24,371	15,637
Total equity	1,171	13,396	23,195	24,371	15,637
Non-current liabilities					
Obligation under finance lease — non current portion	52	—	—	—	—
Deferred tax liability	20	24	66	64	—
	72	24	66	64	—
	1,243	13,420	23,261	24,435	15,637

Non-current assets

Plant and equipment

Plant and equipment consists of (i) leasehold improvements, (ii) furniture and fixtures, (iii) office equipment and (iv) motor vehicles. Net of depreciation, the carrying amount of plant and equipment was approximately HK$0.5 million, HK$0.4 million and HK$0.7 million as at 31 March 2012, 31 March 2013 and 31 March 2014 respectively. The slight increase in the balance as at 31 March 2014 was mainly due to the addition of office equipment during the year.

Current assets/current liabilities/net current assets

Current assets comprised mainly (i) trade and other receivables, (ii) amount due from customers for contract work and (iii) bank balances and cash. As at 31 March 2012, 2013 and 2014, our Group's current assets were approximately HK$21.1 million, HK$24.4 million and HK$48.4 million.

Current liabilities comprised mainly (i) trade and other payables, (ii) amount due to customers for contract work and (iii) income tax payable. As at 31 March 2012, 2013 and 2014, our Group's current liabilities were approximately HK$20.4 million, HK$11.4 million and HK$25.9 million.

As at 31 March 2012, our Group recorded net current assets of approximately HK$0.7 million. Due to the increase in profit, as at 31 March 2013, our Group's net current assets increased to approximately HK$13.0 million. As at 31 March 2014, our Group recorded net current assets of approximately HK$22.5 million.

Trade and other payables of our Group decreased by approximately 72.33% from approximately HK$2.9 million to approximately HK$0.8 million as at 31 March 2012 and 2013 respectively; and increased by approximately 6.07 times from approximately HK$0.8 million as at 31 March 2013 to approximately HK$5.8 million as at 31 March 2014 due to several projects being implemented concurrently up to a stage which costs were incurred. Our Group has minimal non-current assets. The net asset value of our Group also increased at approximately HK$1.2 million to HK$13.4 million to HK$23.2 million as at 31 March 2012, 2013 and 2014 respectively.

As mentioned in the paragraph headed "Trade and other receivables" below, there was a change in payment terms of a contract subsequent to the year ended 31 March 2014. In addition, as mentioned in the paragraph headed "Cash and cash equivalents at end of the year" above, the Group has repaid the bank overdraft of approximately HK$5 million via the obtaining of a 2-year term loan from a bank for HK$5 million in May 2014.

Trade and other receivables

Trade receivables include (i) trade receivables net of allowance for doubtful debts; (ii) retention money receivable from customers; and (iii) prepayments, deposits and other receivables. The following table set forth the breakdown of trade and other receivables as at 31 March 2012, 2013 and 2014.

		As at 31 March	
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	13,961	7,142	32,698
Less: Allowance for doubtful debts	(108)	(108)	(475)
Net trade receivables	13,853	7,034	32,223
Retention money receivables	356	80	80
Less: Allowance for doubtful debts	—	—	(80)
	356	80	—
Prepayments, deposits and other receivables	2,119	601	1,852
Trade and other receivables	16,328	7,715	34,075

Our Group does not hold any collateral over these balances.

As at 31 March 2012, 2013 and 2014, included in the allowance for doubtful debts were individually impaired trade receivables of approximately HK$108,000, HK$108,000 and HK$555,000 respectively which had been long outstanding. The individually impaired trade receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions.

The aging analysis of the trade receivables that are net of allowance for doubtful debts and based on invoice date is as follows:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	12,117	73	10,479
More than 30 days and within 90 days	217	1,690	1,258
More than 90 days but within 180 days	62	2,676	14,885
More than 180 days but within 365 days	1,337	1,879	4,497
More than 365 days	120	716	1,104
	13,853	7,034	32,223

The aging analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	12,850	2,559	25,125
Past due but not impaired			
Within 30 days	863	686	4,604
More than 30 days and within 90 days	—	2,335	767
More than 90 days	140	1,454	1,727
	13,853	7,034	32,223

The higher amount of net trade receivables as at 31 March 2014 of approximately HK$32.2 million as compared to approximately HK$7.0 million as at 31 March 2013 was in line with our increased business activities. The increase was mainly attributable to the fact that several projects commenced in March 2014, including a design and procurement of furnishings and materials project in Malaysia. This also explains the increase in trade receivables aged within 30 days. In these circumstances, the invoiced amounts are classified as trade receivables once invoices were issued while payments will typically be made by our customers only upon commencement of work or when work has reached certain stages. At the same time, as work has not been performed, a corresponding amount due to customers for contract work has also been recorded. As observed, the aforesaid increase in trade receivables as at 31 March 2014 was accompanied by a corresponding increase in amount due to customers for contract work from approximately HK$6.5 million as at 31 March 2013 to approximately HK$13.7 million as at 31 March 2014. As for the trade receivables aged (based on invoice date) more than 90 days but within 180 days, the trade receivables of approximately HK$14.9 million includes the HK$13.0 million deposit of a project scheduled to commenced work in around June 2014. This commencement date is determined by the customer based on its internal arrangement unrelated to our Group. We have agreed with this customer that payment is to be made when the project's actual site work commences. Such deposit is not considered as past due and the said customer has confirmed in writing that the said HK$13.0 million is outstanding account balance payable to us. As detailed in the paragraph headed "Revenue recognition" under the section headed "Financial information" of this prospectus, revenue is recognised by reference to the stage of completion of the contract activity, and the stage of completion is measured based on the proportion of the contract costs incurred relative to the estimated total cost. According to the terms of the contract, an initial invoice was issued upon signing of the contract. The said HK$13.0 million was charged under the initial invoice. At that juncture, no cost regarding the project had been incurred. Accordingly, the stage of completion was zero and no revenue had been recognised. The said HK$13.0 million was then recorded (i) as an amount due to customers for contract work (please refer to the paragraph headed "Amounts due to customers for contract work" below in this section), and (ii) as a trade receivables from such customer. Revenue will be recognised by stage of completion and cost incurred in the said project.

Taking into account the above and the aging analysis of the trade receivables that are neither individually nor collectively considered to be impaired, and based on our Directors' assessment on the relevant customers' credibility and historical payment records, our Directors are of the view that the recoverability of the trade receivables as at the year ended 31 March 2014 is similar to previous years. Our Directors consider that amount of provision made in this respect is sufficient. Based on the audit procedures performed for the purpose of giving a true and fair view of our Group's consolidated financial statements for each of the three years ended 31 March 2012, 2013 and 2014 as a whole, SHINEWING (HK) CPA Limited, the Reporting Accountants of our Company, concurred the basis of provision for doubtful debts of our Group.

On 29 May 2014, after further negotiation between our Group and a customer, due to such customer's internal issues and request in consideration of the customer's business needs, both parties agreed to change the work schedule and payment terms of a project. Due to such change, the deposit of HK$13.0 million for such project was revised to approximately HK$1.9 million. There was also a change in the contract value from HK$26.0 million to approximately HK$25.3 million, and an extension of the project's expected completion from December 2014 to June 2015, none of which were considered as material alterations to the original contractual terms. As such change to the payment terms of the project arose subsequent to the year ended 31 March 2014, our Directors believe that it did not constitute an adjusting event after reporting period according to Hong Kong Accounting Standard 10 "Events after the Reporting Period" issued by the Hong Kong Institute of Certified Public Accountants. Accordingly, adjustment to the financial information for the year ended 31 March 2014 and reversal of the HK$13.0 million as at 31 March 2014 are considered unnecessary, which is concurred by SHINEWING (HK) CPA Limited, the Reporting Accountants of our Company.

The change in payment terms would only reduce the trade receivables and amounts due to customers for contract work subsequent to 31 March 2014. There was no effect to the Group's revenue and profit of the Group for the year ended 31 March 2014, and the net assets of the Group as at 31 March 2014 and as at the date of this prospectus.

In other words, if the abovementioned matter had hypothetically occurred on 31 March 2014, the net trade receivables and amounts due to customers for contract work as at 31 March 2014 would be approximately HK$21.1 million and HK$2.6 million respectively.

Out of the aforesaid approximately HK$32.2 million of net trade receivables as at 31 March 2014, approximately HK$25.1 million was neither past due nor impaired. The past due amount of approximately HK$7.1 million as at 31 March 2014 was due to late settlements by customers of several large contract works. As at the Latest Practicable Date, of the aforesaid HK$7.1 million trade receivables which was past due as at 31 March 2014, approximately HK$5.1 million has been settled, representing approximately 71.42% of the aforesaid past due amount. Our Directors have repeatedly reminded the customers to settle the outstanding sum. As far as the Directors are aware, the delay was due to the customers' internal approval process and not any dispute as to the amount or payment. As at the Latest Practicable Date, for the trade receivables of approximately HK$21.1 million (after taking into account the event after the reporting period as described in Part B to the Accountants' Report set out in Appendix I to this prospectus), approximately HK$10.8 million have been recorded as settled in the general ledgers of our Group.

Set out below is the table of movement of retention money receivables during the Track Record Period:

	HK$'000
Opening balance as at 1 April 2011	0
Addition during the year	355.8
Balance as at 31 March 2012	355.8
Settlement during the year	(275.4)
Balance as at 31 March 2013	80.4
Allowance for doubtful debts during the year (for details, please refer to note 17 of the Accountants' Report on page I-34 of this prospectus)	(80.4)
Balance as at 31 March 2014	0

As at 31 March 2012, 2013 and 2014, retention money receivables amounting to approximately HK$355,800, HK$80,400 and nil respectively were classified as current assets as they are expected to be settled in accordance with the contractual terms. Expenditure incurred for rectification of defects identified in projects for which our Group had recorded retention money receivables amounted to approximately HK$36,300, HK$55,300 and nil for the year ended 31 March 2012, 2013 and 2014 respectively.

Our Directors consider that there has not been a significant change in credit quality of the trade receivables and there is no recent history of default, therefore the amounts are considered recoverable.

Amounts due from customers for contract work

Amounts due from customers for contract work at the end of the year was the surplus where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings as at the end of the year.

As at 31 March 2012, 2013 and 2014, the amount due from customers for contract work was approximately HK$1.2 million, HK$5.6 million and HK$7.7 million respectively. The increase in amount due from customers for contract work as at 31 March 2014 as compared to the amount as at 31 March 2013 was due to the increase in business activities as mentioned above.

Amounts due from ultimate holding company, directors and related parties

Amounts due from ultimate holding company, directors and related parties as at 31 March 2012, 2013 and 2014 were non-trading in nature, unsecured, interest-free and repayable on demand.

As at 31 March 2012 and 2013, approximately HK$15,000 and HK$20,000 relating to the set up cost of Genius Idea was respectively due from the ultimate holding company. Such amount was subsequently settled during the year ended 31 March 2014.

As at 31 March 2012, approximately HK$2.6 million was due from related parties, approximately HK$3.5 million was due to a related party and approximately HK$0.6 million was due to directors. Amounts due from (to) related parties and directors had been fully settled during the year ended 31 March 2013.

Bank balances and cash

Bank balances and cash comprise cash held by our Group and short-term bank deposits with maturity within three months from initial inception. Bank balances carried interest at market rates ranging from 0.01% to 0.1% per annum during the Track Record Period. The bank balances are deposited with creditworthy banks with no recent history of default.

Our Group's bank balances and cash denominated in Singapore dollars amounted to approximately HK$12,000, HK$619,000 and HK$260,000 at 31 March 2012, 2013 and 2014 respectively.

Trade and other payables

Trade payables include (i) trade payables; (ii) receipt in advance; and (iii) accrued expenses and other payables. The following table set forth the breakdown of trade and other receivables as at 31 March 2012, 2013 and 2014. The following is an analysis of trade and other payables at the end of the reporting period:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	947	501	5,011
Receipt in advance	1,106	—	39
Accrued expenses and other payables	892	314	711
	2,945	815	5,761

The increase in trade payables as at 31 March 2014 as compared to the amount as at 31 March 2013 was attributable to the increase in business activities as mentioned above. Most of the trade payables were related to cost of materials or subcontracting with materials, and aged within 30 days. The average credit period on trade payables is 30 days. As at the Latest Practicable Date, approximately HK$3.1 million of the outstanding trade payables as at 31 March 2014 were settled.

Amounts due to customers for contract work

Amounts due to customers for contract work at the end of the year is the surplus where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses as at the end of the year. As at 31 March 2012, 2013 and 2014, the amount due to customers for contract work were approximately HK$11.6 million, HK$6.5 million and HK$13.7 million respectively.

Of the approximately HK$13.7 million recorded as at 31 March 2014, approximately HK$13 million was related to a first invoice issued upon the signing of a contract for a project scheduled to commence work in around June 2014. This commencement date is determined by the customer based on its internal arrangement unrelated to our Group. Given that the same amount of approximately HK$13 million is also recorded as trade receivables (please refer to the paragraph headed "Trade and other receivables" on page 165 of this section) upon the issuance of such first invoice, our Directors believe that it has no impact on our Group's overall financial position. Please also refer to page 166 of this prospectus with regard to a change of payment terms of a contract with a customer subsequent to the year ended 31 March 2014, a trade receivable of HK$13.0 million as at 31 March 2014 was revised to approximately HK$1.9 million. In other words, if the abovementioned matter had hypothetically occurred on 31 March 2014, the net trade receivables and amounts due to customers for contract work as at 31 March 2014 would be approximately HK$21.1 million and HK$2.6 million respectively.

SELECTED FINANCIAL RATIOS DISCUSSION

The following table sets out certain financial ratios as at the end of the financial year.

	For the year ended 31 March		
	2012	**2013**	**2014**
Gross profit margin	20.67%	39.21%	26.97%
Net profit margin	6.39%	25.06%	10.06%
Current ratio *(Note 1)*	1.04	2.14	1.87
Return on total assets *(Note 2)*	16.87%	73.88%	19.62%
Return on equity *(Note 3)*	3.1 times	1.4 times	0.4 time
Interest coverage *(Note 4)*	136.2 times	915.1 times	272.5 times
Debtor turnover days *(Note 5)*	48.2	52.0	74.7
Creditor turnover days *(Note 6)*	17.1	5.9	14.4

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities as at the respective year ends.

2. Return on total assets is calculated by dividing profit for the year by the total assets as at the end of the respective year.

3. Return on equity is calculated by dividing profit for the year by the total equity as at the respective year end.

4. Interest coverage is calculated by dividing profit before interest and tax by the finance cost for the corresponding year.

5. Debtor turnover days is calculated based on the average of the ending balance of trade receivables of a given year and its corresponding previous year, divided by the revenue for the given year and multiplied by the number of days in the given year (i.e. 365 days).

6. Creditor turnover days is calculated based on the average of the ending balance of trade payables of a given year and its corresponding previous year, divided by the cost of sales for the given year and multiplied by number of days in the given year (i.e. 365 days).

Gross profit and net profit margins

Gross profit margin and net profit margin for the three years ended 31 March 2012, 2013 and 2014 are described in the paragraphs headed "Gross profit" and "Profit for the year/adjusted profit for the year attributable to owners of our Company" above respectively.

Current ratio

Current ratio is calculated by dividing current assets by current liabilities as at the respective year ends. The current ratio of approximately 1.04 times as at 31 March 2012 increased to approximately 2.14 times as at 31 March 2013. The increase was mainly due to the increase in bank balances and cash from approximately HK$0.9 million as at 31 March 2012 to approximately HK$10.5 million as at 31 March 2013, and the decrease in amount due to customers for contract work from approximately HK$11.6 million as at 31 March 2012 to approximately HK$6.5 million as at 31 March 2013.

In view of the nature of our Group's business and given the increase in revenue of our Group for the year ended 31 March 2014 as compared to the year ended 31 March 2013, the amount of trade and other receivables increased from approximately HK$7.7 million as at 31 March 2013 to approximately HK$34.1 million as at 31 March 2014 and the amounts due from customers for contract works also increased from approximately HK$5.6 million as at 31 March 2013 to approximately HK$7.7 million as at 31 March 2014; at the same time, the amount of trade and other payables increased from approximately HK$0.8 million as at 31 March 2013 to approximately HK$5.8 million as at 31 March 2014, and the amounts due to customers for contract work also increased from approximately HK$6.5 million as at 31 March 2013 to approximately HK$13.7 million as at 31 March 2014. As business grew, our Group made use of bank overdraft from time to time and the amount recorded as at 31 March 2014 was approximately HK$5.0 million. The amount of bank balance and cash was approximately HK$5.1 million as at 31 March 2014 as compared to approximately HK$10.5 million as at 31 March 2013. As a result of the above, our Group's current ratio as at 31 March 2014 was approximately 1.87 times as compared to approximately 2.14 times as at 31 March 2013.

Gearing ratio

Gearing ratio is calculated by dividing net debt by total assets as at the end of the respective year. Our Group's interest bearing liabilities was minimal. Net debt as well as gearing ratio were negative for the two years ended 31 March 2012 and 2013 because we had sufficient cash to cover the total interest bearing debt. Our Group maintained a low level of loans during the Track Record Period. As mentioned above, our Group made use of bank overdraft from time to time and the amount recorded as at 31 March 2014 was approximately HK$5.0 million; hence the total debt as at 31 March 2014 increased to approximately HK$5.3 million as compared to approximately HK$0.5 million as at 31 March 2013. As a result, our Group's gearing ratio was approximately 0.34% as at 31 March 2014.

As mentioned in the paragraph headed "Cash and cash equivalents at end of the year" above, the Group has repaid the bank overdraft of approximately HK$5 million via the obtaining of a 2-year term loan from a bank for HK$5 million.

Return on total assets

Return on total assets is calculated by dividing net profit for the year by the total assets as at the end of the respective year. Return on total assets increased from approximately 16.87% as at 31 March 2012 to approximately 73.88% as at 31 March 2013 as our net profit grew year-on-year by approximately 5.0 times. Return on total assets decreased from approximately 73.88% as at 31 March 2013 to approximately 19.62% as at 31 March 2014, mainly due to a decrease in our net profit as explained above.

Return on equity

Return on equity is calculated by dividing net profit for the year by the total equity as at the end of the respective year. The return on equity of our Group was approximately 3.1 times, 1.4 times and 0.4 time for the year ended 31 March 2012, 2013 and 2014 respectively. Return on equity of our Group for the year ended 31 March 2012 was relatively high mainly due to the fact that our Group was in negative equity as at 1 April 2011, being the beginning of that financial year. The relatively low level of equity lead to a high return on equity ratio. Return on equity for the year ended 31 March 2013 was 1.4 times despite the year-on-year profit having increased by approximately by 4.04 times, due to the same reason above. Return on equity for the year ended 31 March 2014 declined to approximately 0.4 time due to a decrease in our net profit as explained above.

Interest coverage

Our Group's interest coverage ratio recorded approximately 136.2 times, 915.1 times and 272.6 times for the years ended 31 March 2012, 2013 and 2014 respectively. The significant increase in interest coverage ratio for the year ended 31 March 2013 was due mainly to the fact that our Group's maintained a low level of loans and thus interest expense has been minimal as compared to the profit before interest and tax. Since the net profit before interest and tax for the year ended 31 March 2014 was lower than the amount recorded for the year ended 31 March 2013, the interest coverage ratio for the year ended 31 March 2014 was lower than the amount recorded for the year ended 31 March 2013.

Debtor turnover days

Debtor turnover days is calculated based on the average of the ending balance of trade receivables of a given year and its corresponding previous year divided by revenue for the given year and multiplied by the number of days in the give year (i.e. 365 days). Our Group records debtors' turnover days as approximately 48.2 days, 52.0 days and 74.7 days for the year ended 31 March 2012, 2013 and 2014 respectively. The increase in debtor turnover days for the year ended 31 March 2014 is mainly in line with the higher amount of trade receivables as at the year end date, including a first invoice of HK$13.0 million for deposit of a project which is scheduled to commence work in around June 2014 due to the customer's internal arrangement unrelated to our Group, and we have agreed with this customer that payment is to be made when the project's actual site work commences. Our Directors consider this customer is creditworthy and the customer has acknowledged this invoice and accordingly the impact is considered acceptable despite the increase in debtor turnover days for the year ended 31 March 2014.

Creditor turnover days

Creditor turnover day is calculated based on the average of the ending balance of trade payables of a given year and its corresponding previous year, divided by the cost of sales for the given year and multiplied by the number of days in the given year (i.e. 365 days). The creditors' turnover days are approximately 17.1 days, 5.9 days and 14.4 days for the year ended 31 March 2012, 2013 and 2014 respectively. Our Group's trade payables were settled within 30 days for the years ended 31 March 2012, 2013 and 2014, except for sums of approximately HK$18,000 and HK$94,000 recorded in the year ended 31 March 2014, which were settled after 30 but within 90 days and after 90 days respectively, partly attributable to the fact that there was delay in one project and our Group has agreed with the creditor that the relevant invoice is to be settled upon actual delivery of products, and in line with the payment practice in general.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any outstanding derivative instruments, off-balance sheet guarantees or foreign currency forward contract. We do not engage in trading activities involving non-exchange trade contracts.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group from 31 March 2014, being the date of our Company's last audited financial statement as set out in the Accountants' Report set out in Appendix I to this prospectus, up to the date of this prospectus.

DIVIDEND POLICY

Our directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. Future declaration of dividends will be subject to Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant.

The dividends paid by our Company's subsidiaries to their then shareholders in respect of the year ended 31 March 2013 amounted to approximately HK$6,175,000. No dividend was paid for the two years ended 31 March 2012 and 2014.

No dividends have been paid or declared by our Company since the date of incorporation.

Currently, we do not have any pre-determined dividend distribution ratio. The historical dividend payment may not be indicative of future dividend trend.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 29 July 2013 and has not carried out any business since the date of our incorporation save for the transactions related to the Reorganisation. There were no distributable reserves.

DISCLOSURE PURSUANT TO THE GEM LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

BUSINESS OBJECTIVES AND STRATEGIES

Our primary business objectives are (i) to further capture the hospitality design and fitting-out markets in Hong Kong and (ii) expand our design and procurement of bespoke furnishings and materials business in Singapore and Malaysia. Please refer to the paragraph headed "Corporate strategies" in the section headed "Business" in this prospectus for a detailed description of our business strategies to achieve these objectives.

IMPLEMENTATION PLANS

Our Directors have drawn up an implementation plan for the period from the Latest Practicable Date up to 31 March 2016, with the aim of achieving our business objectives. It should be noted that our implementation plans are formulated on the bases and assumptions referred to the paragraph 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 out in the section headed "Risk factors" in this prospectus. Details of the implementation plan are set out below:

For the period from the Latest Practicable Date to 30 September 2014

Enhance our customer awareness	Placing advertisements at trade magazines
Enhance design capacity and office efficiency	Purchase additional computer software and/or professional equipment
Enhance our presence in Singapore	Establish a sales office in Singapore

For the six months ending 31 March 2015

Enhance our customer awareness	Participate furniture trade fair/exhibition Placing advertisements at trade magazines
Enhance design capacity and office efficiency	Purchase additional computer software and/or professional equipment
Enhance our presence in Singapore	Expand our sales team in Singapore
Expand our office in Hong Kong	Identify potential location of and acquire a new showroom/ workshop, which is expected to have a gross floor area of approximately 5,000 square feet, and situated in San Po Kong/ Kwun Tong area. As at the Latest Practicable Date, no property has been identified in respect of the new showroom/workshop

For the six months ending 30 September 2015

Enhance our customer awareness	Placing advertisements at trade magazines
Enhance design capacity and office efficiency	Provide continuous professional training for selected staff
Expand our office in Singapore	Identify potential location of and acquire a new sales office/showroom, which is expected to have a gross floor area of approximately 2,000 square feet, and situated in Joo Chiat Road area in around September 2015. As at the Latest Practicable Date, no property has been identified in respect of the new sales office/showroom

For the six months ending 31 March 2016

Enhance our customer awareness	Participate furniture trade fair/exhibition Placing advertisements at trade magazines

BASES AND ASSUMPTIONS

The implementation plans set out by our Directors for the period from the Latest Practicable Date up to 31 March 2016 are based on the following bases and assumptions:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material change in the business development requirements during the period to which the legal, fiscal or economic conditions in Hong Kong, Singapore or Malaysia and any other places in which any member of our Group carries on or will carry on business;
- there will be no change in the funding requirement for each of the near term business objectives as described in this prospectus from the amount estimated by our Directors;
- there will be no material difference between the actual capital requirement for implementing the above plans and the amount as estimated by our Directors;
- we will be able to retain our key staff in our management team;
- we will not be materially affected by any risk factors set out in the section headed “Risk factors” of this prospectus; and
- in this prospectus, we continue our operation in substantially the same manner as it was during the Track Record Period and we will also be able to carry out our development plans without disruptions.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Directors believe that the Placing will enhance our profile, strengthen our financial position and competitiveness, and provide us with additional capital to implement our future plans set out above in this section. In addition, a public listing status on the Stock Exchange will offer us access to capital markets for corporate finance exercise to assist future business development.

Net proceeds from the Placing are estimated at approximately HK$31.0 million based on a Placing Price of HK$0.60 (being the mid-point of the indicative price range of the Placing Price), after deducting the underwriting commission and expenses relating to the Placing payable by us of approximately HK$14.0 million. We intend to use the net proceeds from the Placing for the following purposes:

- approximately HK$3.0 million (or approximately 9.7% of the net proceeds) for enhancing our customer awareness in Hong Kong, Singapore and overseas;

- approximately HK$0.5 million (or approximately 1.6% of the net proceeds) for enhancing our design capacity and office efficiency in Hong Kong;

- approximately HK$13.0 million (or approximately 41.9% of the net proceeds) for expanding our office in Hong Kong through the acquisition of a new showroom/workshop;

- approximately HK$0.5 million (or approximately 1.6% of the net proceeds) for establishing our presence in Singapore through the leasing of an office and expansion of our sales team in Singapore;

- approximately HK$11.0 million (or approximately 35.5% of the net proceeds) for expanding our office in Singapore through the acquisition of a new sales office/showroom in around September 2015; and

- approximately HK$3.0 million (or approximately 9.7% of the net proceeds) for funding our working capital and general corporate purposes.

In line with our business strategies, the proceeds from the Placing will mostly be used on expansion of business in Hong Kong, Singapore and Malaysia. We have expanded into the market of Singapore and Malaysia during the year ended 31 March 2013.

Our Group's operation will continue to be based in Hong Kong, and we aim to explore the new markets for further development and diversification of our Group's customer portfolio. It is expected that the mode of operation will mostly remain similar to the existing mode, except that our capacity in design and mock-up demonstration is expected to increase with the new office site in Singapore which can house more mock-up demonstration rooms at the same time. Our design capacity is also expected to strengthen with additional employees and more software equipment. An office site in Singapore is expected to enhance our presence in Singapore and offer us greater accessibility to potential customers in Singapore and Malaysia. Our Directors do not expect material change in the revenue model, cost structure, profit margin, risk profile and cash flow position in relation to our Group's expansion plans.

In summary, the implementation of our future plans for the period from the Latest Practicable Date to 31 March 2016 will be partly funded by the net proceeds from the Placing as follows:

	For the period From the Latest Practicable Date to 30 September 2014	For the six months ending 31 March 2015	30 September 2015	31 March 2016	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Enhance our customer awareness	500	1,000	500	1,000	3,000
Enhance design capacity and office efficiency	200	100	200	0	500
Expand our office in Hong Kong	0	13,000	0	0	13,000
Expand our office in Singapore	500	0	11,000	0	11,500
General working capital	3,000	0	0	0	3,000
Total	4,200	14,100	11,700	1,000	31,000

Capital expenditure is expected to be approximately HK$13.8 million and HK$11.2 million for the year ending 31 March 2015 and 2016 respectively.

If the Placing price is fixed at HK$0.70 per Placing Price (being the high-end of the indicative price range of the Placing Price), the net proceeds of the Placing will be increased to approximately HK$41.5 million. We intend to apply such additional net proceeds to the above proposed usage on a pro-rata basis. If the Placing price is fixed at HK$0.50 per Placing Price (being the low-end of the indicative price range of the Placing Price), the net proceeds of the Placing will be reduced to approximately HK$26.9 million. We intend to reduce the net proceeds to the above proposed usage on a pro-rata basis.

To the extent that the net proceeds of the Placing are not immediately applied for the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed financial institutions in Hong Kong.

UNDERWRITER

Kingston Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company will conditionally place the Placing Shares with institutional, professional and other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriter has agreed to subscribe for or procure subscribers for the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

Grounds for termination

The Sole Bookrunner shall have the sole and absolute right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

(a) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Singapore, Malaysia, the BVI or any relevant jurisdiction;

(b) any adverse change (whether or not permanent) in local, national or international stock market conditions;

(c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;

(d) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, Singapore, Malaysia, the BVI or any relevant jurisdiction;

(e) any change in the business or in the financial or trading position of our Group or otherwise;

(f) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, Singapore, Malaysia, the BVI, or any relevant jurisdiction;

(g) a general moratorium on commercial banking business activities in Hong Kong, Singapore, Malaysia, the BVI or any relevant jurisdiction declared by the relevant authorities; or

(h) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the absolute opinion of the Sole Bookrunner:

(i) might be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or

(ii) might have a material adverse effect on the success of the Placing or might have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms; or

(iii) makes it inadvisable or inexpedient to proceed with the Placing.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Sole Bookrunner:

(a) any matter or event showing any of the warranties contained in the Underwriting Agreement to be untrue, inaccurate or misleading when given or repeated or any breach of any of the warranties or any other provision of the Underwriting Agreement by any party thereto (other than the sponsor and the Sole Bookrunner), which is considered, in the absolute opinion of the Sole Bookrunner to be material in the context of the Placing; or

(b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus and the placing letter, would have constituted a material omission in the absolute opinion of the Sole Bookrunner in the context of the Placing; or

(c) any statement contained in this prospectus and the placing letter considered to be material by the Sole Bookrunner which is discovered to be or becomes untrue, incorrect or misleading and in the absolute opinion of the Sole Bookrunner to be material in the context of the Placing; or

(d) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, our executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement,

the Sole Bookrunner shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Underwriting Agreement.

Undertakings

Our Company has undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six (6) months from the Listing Date (whether or not such issue of shares or securities will be completed within six (6) months from the Listing Date), except for those permitted in accordance with Rule 17.29 subsections (1) to (5) of GEM Listing Rules.

Under the Underwriting Agreement,

(a) (i) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sponsor, the Underwriter and the Stock Exchange that, save as permitted under the GEM Listing Rules, he/she/it shall not and shall procure that the relevant registered holders shall not:

(A) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the "First 6-Month Period"), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect (the "Encumbrances") in respect of any of the Shares in respect of which he/she/it is shown in this prospectus to be the beneficial owner(s); and

(B) in the period of six months commencing on the date immediately following the date on which the First 6-Month Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/she/it would cease to be a Controlling Shareholder,

provided that the restrictions in this paragraph (i) shall not apply to any Shares which our Controlling Shareholders or any of his/her/its respective associates may acquire or become interested in following the Listing Date;

(ii) each of our Controlling Shareholders further undertakes to and covenants with our Company, the Sponsor, the Underwriter and the Stock Exchange that:

(A) in the event that he/she/it pledges or charges any of his/her/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (i) above, he/she/it must inform our Company, the Sponsor and the Underwriter immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(B) having pledged or charged any of his/her/its interests in the Shares under sub-paragraph (A) above, he/she/it must inform our Company and the Underwriter immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected; and

(b) our Company undertakes to and covenants with the Sponsor and the Underwriter, and each of our executive Directors and Controlling Shareholders jointly and severally undertakes to and covenants with the Sponsor and the Underwriter to procure that, save with the prior written consent of the Underwriter, or save pursuant to the Placing, our Company shall not, within the period of six months from the Listing Date:

(i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws or pursuant to an issue of Shares under the Share Option Scheme, allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed));

(ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;

(iii) purchase any securities of our Company; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so.

Total commission, fee and expenses

In connection with the Placing, the Underwriter will receive an underwriting commission of 2% of the aggregate Placing Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions.

In connection with the Listing, the Sponsor will receive a sponsorship and documentation fee of HK$3.8 million and will be reimbursed for their expenses.

In connection with the Listing and the Placing, the total expenses are estimated to be approximately HK$17.7 million assuming the Placing Price of HK$0.60 per Share (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Placing) which shall be borne by our Company respectively.

Our Company has agreed to indemnify the Underwriter for certain losses which it may suffer, including losses incurred arising from its performance of its obligations under the Underwriting Agreement, and any breach by our Company of the Underwriting Agreement.

Independence of the Sponsor

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

Sponsor's and the Sole Bookrunner's interests in our Company

The Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sponsor an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

Save for their interests and obligations under the Underwriting Agreement and the advisory and documentation fee payable to the Sponsor in respect of the Placing, none of the Sponsor and the Sole Bookrunner is interested beneficially or non-beneficially in any shares in any member of our 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 our Group.

PLACING PRICE

The Placing Price will not be more than HK$0.70 per Placing Share and not less than HK$0.50 per Placing Share. Subscribers, when subscribing for the Placing Shares, shall pay the Placing Price plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. Assuming the Placing Price of HK$0.70 or HK$0.50 per Placing Share (being the highest and lowest prices of the indicative Placing Price range respectively), investors shall pay HK$2,828.22 and HK$2,020.16 for every board lot of 4,000 Shares.

The Placing Price will be fixed by an agreement expected to be entered into between our Company and the Sole Bookrunner on the Price Determination Date which is scheduled on or about 11 July 2014 (or such later date as may be agreed between our Company and the Sole Bookrunner). If our Company and the Sole Bookrunner are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company and the Sole Bookrunner, the Placing will not become unconditional and will lapse. Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price as stated in this prospectus.

The Company and the Sole Bookrunner may, based on the level of interest expressed by prospective investors during the book-building process, change the indicative Placing Price range as stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such change, and in any event not later than 9:00 a.m. on the Price Determination Date publish an announcement on the reduction of the indicative Placing Price range on the Stock Exchange's website at *www.hkexnews.com* and our Company's website at *www.katechina.hk*.

The level of indication of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange's website at *www.hkexnews.com* and our Company's website at *www.katechina.hk* at or before 9:00 a.m. 17 July 2014.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

(a) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and

(b) the obligations of the Underwriter under the Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriter), and such obligations not having been terminated in accordance with the terms of the Underwriting Agreement,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived by the Underwriter on or before the day which is the 30th day after the date of this prospectus, the Placing shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Placing will be published on the Stock Exchange's website at *www.hkexnews.com* and our Company's website at *www.katechina.hk* on the next Business Day after such lapse.

THE PLACING

Our Company is initially offering 75,000,000 Placing Shares for subscription by way of the Placing, representing 25% of the aggregate number of issued Shares of our Company upon completion of the Placing and Bonus Issue. The Placing Shares will be fully underwritten by the Underwriter pursuant to the Underwriting Agreement subject to the Placing Price being fixed by agreement between our Company and the Sole Bookrunner on the Price Determination Date.

The Underwriter or agents nominated by it on behalf of our Company will conditionally place the Placing Shares at the Placing Price plus brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% with professional, institutional and other investors. Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell his/her/its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated in accordance with Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected professional, institutional and other investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to acquire further Shares and/or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, such that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on 18 July 2014. The Shares will be traded in board lot of 4,000 Shares each and are freely transferable. The GEM stock code for the Shares is 8125. Our Company will not issue any temporary document or evidence of title.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants of our Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

8 July 2014

The Directors
Kate China Holdings Limited
Altus Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding Kate China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2012, 2013 and 2014 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 8 July 2014 (the "Prospectus") in connection with the initial listing of shares of the Company ("Listing") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in Hong Kong as a company with limited liability under the Old Companies Ordinance on 29 July 2013. The Company acts as an investment holding company. Pursuant to a group reorganisation which was completed on 31 August 2013 (the "Reorganisation") as detailed in the section headed "Reorganisation" in the Prospectus, the Company became the holding company of the companies comprising the Group. The Company has not carried on any business since the date of its incorporation saves for the aforementioned Reorganisation.

As at 31 March 2014 and the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital/registered capital	Percentage of equity interest attributable to the Company				Principal activities
			31 March 2014		Date of this report		
			Direct	*Indirect*	*Direct*	*Indirect*	
China Sourcing & Creative Construction Limited ("China Sourcing") *(note 1)*	British Virgin Islands 1 September 2010	United State dollar ("US$") 1	100%	—	100%	—	Investment holding
Hotel Sourcing International Limited *(note 2)*	Hong Kong 20 February 2006	Hong Kong dollar ("HK$") 100	—	100%	—	100%	Provision of design and procurement of furnishings and materials
Karlson C & C Limited *(note 2)*	Hong Kong 24 May 2004	HK$1	—	100%	—	100%	Provision of design and fitting out service
Wealth Trinity Development Limited *(note 2)*	Hong Kong 31 July 2006	HK$1	—	100%	—	100%	Provision of design and fitting out service
Well Creation Holdings Limited *(note 2)*	Hong Kong 15 January 2009	HK$1	—	100%	—	100%	Provision of design and fitting out service
Joy Excel Consultants Limited *(note 2)*	Hong Kong 18 September 2008	HK$1	—	100%	—	100%	Provision of design and fitting out service
Forever Smart (China) Limited ("Forever Smart") *(note 3)*	Hong Kong 24 March 2011	HK$1	—	100%	—	100%	Provision of design and fitting out service
Hotel Sourcing Singapore Pte. Ltd. ("Hotel Sourcing Singapore") *(note 4)*	Singapore 29 December 2011	Singapore dollar ("SGD") 1	—	100%	—	100%	Provision of design and procurement of furnishings and materials

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

Notes:

1) No statutory financial statements since 1 September 2010 (date of incorporation) have been prepared for China Sourcing as there is no such statutory requirement.

2) The statutory financial statements for the year ended 31 March 2012 of these subsidiaries were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and audited by Zhonglei (HK) CPA Company Limited ("Zhonglei").

The statutory financial statements for the two years ended 31 March 2013 and 2014 of these subsidiaries were prepared in accordance with HKFRSs issued by the HKICPA and audited by SHINEWING (HK) CPA Limited.

3) The statutory financial statements of Forever Smart for the period from 24 March 2011 (date of incorporation) to 31 March 2012 were prepared in accordance with HKFRSs issued by the HKICPA and audited by Zhonglei.

   The statutory financial statements for the two years ended 31 March 2013 and 2014 of Forever Smart were prepared in accordance with HKFRSs issued by the HKICPA and audited by SHINEWING (HK) CPA Limited.

4) The statutory financial statements of Hotel Sourcing Singapore for the period from 29 December 2011 (date of incorporation) to 31 March 2013 and for the year ended 31 March 2014 were prepared in accordance with Singapore Financial Reporting Standards issued by the Singapore Accounting Standards Council and audited by James Raj Co.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the financial statements of the Company and the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with HKFRSs issued by the HKICPA. We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out procedures which we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods as set out in this report has been prepared by the directors of the Company from the Underlying Financial Statements on the basis set out in this report, with no adjustments thereto, and in accordance with the Old Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the Old Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 March 2014.

OPINION

In our opinion, for the purpose of this report, and on the basis of preparation set out in this report, the Financial Information gives a true and fair view of the Group's consolidated results and consolidated cash flows for the Relevant Periods, and of the state of affairs of the Group as at 31 March 2012, 31 March 2013 and 31 March 2014 and of the Company as at 31 March 2014.

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss

		Year ended 31 March		
		2012	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*7*	56,978	73,310	95,887
Cost of sales		(45,200)	(44,565)	(70,026)
Gross profit		11,778	28,745	25,861
Other income	*9*	55	13	34
Administrative expenses		(7,201)	(6,796)	(13,903)
Finance costs	*10*	(34)	(24)	(44)
Profit before tax		4,598	21,938	11,948
Income tax expense	*11*	(955)	(3,567)	(2,303)
Profit for the year attributable to owners of the Company	*12*	3,643	18,371	9,645
Earnings per share				
Basic and diluted *(HK$)*	*15*	0.016	0.082	0.043

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year attributable to owners of the Company	3,643	18,371	9,645
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	—	29	154
Total comprehensive income for the year attributable to owners of the Company	3,643	18,400	9,799

Consolidated Statements of Financial Position

		The Group			The Company
		At 31 March			At 31 March
		2012	**2013**	**2014**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investments in subsidiaries		—	—	—	21,063
Plant and equipment	*16*	521	421	732	—
		521	421	732	21,063
Current assets					
Trade and other receivables	*17*	16,328	7,715	34,075	1,510
Amounts due from customers for contract work	*18*	1,177	5,628	7,689	—
Amount due from the ultimate holding company	*19*	15	20	—	—
Amounts due from related parties	*19*	2,602	—	—	—
Tax recoverable	*11*	21	560	1,557	—
Bank balances and cash	*20*	935	10,522	5,107	—
		21,078	24,445	48,428	1,510
Current liabilities					
Trade and other payables	*21*	2,945	815	5,761	—
Amounts due to customers for contract work	*18*	11,576	6,494	13,680	—
Amounts due to subsidiaries	*19*	—	—	—	6,936
Amount due to a related party	*19*	3,450	—	—	—
Amounts due to directors	*19*	647	—	—	—
Obligation under finance lease — current portion	*22*	76	52	—	—
Income tax payable	*11*	976	3,597	1,189	—
Unsecured bank borrowing	*23*	686	488	284	—
Bank overdraft	*20*	—	—	4,985	—
		20,356	11,446	25,899	6,936
Net current assets (liabilities)		722	12,999	22,529	(5,426)
Total assets less current liabilities		1,243	13,420	23,261	15,637

		The Group			The Company
		At 31 March			At 31 March
		2012	**2013**	**2014**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves					
Share capital	*25*	—	—	—	—
Reserves		1,171	13,396	23,195	15,637
Total equity		1,171	13,396	23,195	15,637
Non-current liabilities					
Obligation under finance lease — non-current portion	*22*	52	—	—	—
Deferred tax liability	*24*	20	24	66	—
		72	24	66	—
		1,243	13,420	23,261	15,637

The explanatory note to the reserves of the Company is set out in note 26 to the Financial Information.

Consolidated Statements of Changes in Equity

	Share capital	(Accumulated losses) retained profits	Exchange reserve	Other reserve *(Note)*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2011	—	(2,472)	—	—	(2,472)
Profit for the year and total comprehensive income for the year	—	3,643	—	—	3,643
At 31 March 2012 and 1 April 2012	—	1,171	—	—	1,171
Profit for the year	—	18,371	—	—	18,371
Other comprehensive income for the year	—	—	29	—	29
Total comprehensive income for the year	—	18,371	29	—	18,400
Dividends paid *(note 14)*	—	(6,175)	—	—	(6,175)
At 31 March 2013 and 1 April 2013	—	13,367	29	—	13,396
Arising from Reorganisation *(note 25(b))*	—	—	—	—	—
Issue of shares *(note 25(a))*	—	—	—	—	—
Profit for the year	—	9,645	—	—	9,645
Other comprehensive income for the year	—	—	154	—	154
Total comprehensive income for the year	—	9,645	154	—	9,799
At 31 March 2014	—	23,012	183	—	23,195

Note: Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to the Reorganisation over the consideration paid for acquiring these subsidiaries.

Consolidated Statements of Cash Flows

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before tax	4,598	21,938	11,948
Adjustments for:			
Depreciation	222	176	204
Loss on written off of plant and equipment	56	—	—
Impairment loss on trade and other receivables	108	—	583
Finance costs	34	24	44
Gain on disposal of financial assets at fair value through profit or loss	(15)	—	—
Bank interest income	(2)	(2)	(3)
Operating cash flows before movements in working capital	5,001	22,136	12,776
(Increase) decrease in trade and other receivables	(14,455)	8,615	(26,759)
(Decrease) increase in trade and other payables	(758)	(2,131)	4,946
Increase in amounts due from customers for contract work	(429)	(4,451)	(2,020)
Increase (decrease) in amounts due to customers for contract work	7,953	(5,059)	7,111
Cash (used in) generated from operations	(2,688)	19,110	(3,946)
Hong Kong Profits Tax paid	(80)	(1,481)	(5,666)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(2,768)	17,629	(9,612)

	Year ended 31 March		
	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Purchase of plant and equipment	(544)	(76)	(515)
Proceed from disposal of financial assets at fair value through profit or loss	675	—	—
(Advance to) repayment from the ultimate holding company	(5)	(5)	20
Bank interest income received	2	2	3
NET CASH FROM (USED IN) INVESTING ACTIVITIES	128	(79)	(492)
FINANCING ACTIVITIES			
Interest paid	(34)	(24)	(44)
Repayment of obligation under finance lease	(73)	(76)	(52)
Repayment of unsecured bank borrowing	(191)	(198)	(8,204)
Advanced from (repayment to) related parties	1,974	(848)	—
Repayment to directors	(1,231)	(647)	—
New unsecured bank borrowing raised	—	—	8,000
Dividends paid	—	(6,175)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	445	(7,968)	(300)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,195)	9,582	(10,404)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,130	935	10,522
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	—	5	4
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	935	10,522	122
Bank balances and cash	935	10,522	5,107
Bank overdraft	—	—	(4,985)
	935	10,522	122

Notes to the Financial Information

1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong as a company with limited liability on 29 July 2013. The addresses of the registered office and the principal place of business of the Company is Unit A, 10/F., Tontex Industrial Building, No. 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. The Company is an investment holding company while the Group is principally engaged in provision of design and fitting-out services and design and procurement of furnishings and materials.

Prior to the Reorganisation, Genius Idea Holdings Limited ("Genius Idea"), the former immediate holding company of China Sourcing entered into an equity transfer agreement on 31 August 2013 with the Company, pursuant to which Genius Idea agreed to transfer its entire equity interests in China Sourcing. In order to acquire the entire equity interests in China Sourcing, the Company allotted and issued one additional ordinary share of HK$1 to Genius Idea on the same date. The Company was set up as an investment vehicle for holding the equity interests in China Sourcing.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods and the consolidated statements of financial position as at 31 March 2012, 2013 and 2014 are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation or establishment of the relevant entity, where this is a shorter period.

The Financial Information is presented in HK$, unless otherwise stated. Other than the subsidiary operating in Singapore of which functional currency is SGD, the functional currency of the Company and other subsidiaries is HK$.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted all of the new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRSs, amendments and interpretations ("Int"s) issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2013 throughout the Relevant Periods.

The Group has not early applied the following new and revised standards, interpretations and amendments that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC*) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

3 Available for application- the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The directors of the Company anticipated that, except as describe below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group and the Company.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous utilisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are currently effective. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may result in significant impact in the Group's consolidated financial statements and the Company's financial statements.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules and by the Old Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for financial assets at fair value through profit or loss that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where 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 Company 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 Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discounts and sales related taxes.

The Group's policy for recognition of service income from provision of design and fitting-out service and design and procurement of furnishings and materials service from construction contracts is set out in the accounting policy headed "Construction contracts" below.

Revenue from the sales of furnishings and materials is recognised when the furnishings and materials are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the furnishings and materials;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the furnishings and materials sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset 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.

Plant and equipment

Plant and equipment held for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the diminishing balance method. The estimated useful lives 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.

Asset held under finance lease is depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the period in which the item is utilised.

Construction contracts

Where the outcome of a construction contract in relation to provision of design and fitting-out services and design and procurement of furnishings and materials 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, as measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. 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 probable 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 receipt in advances. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statements of financial position under trade 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

Asset held under finance lease is recognised as asset 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 charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised immediately in profit or loss.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits cost

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other defined contribution retirement benefit schemes are recognised as expenses 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 because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 differences 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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 each 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 each 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.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above net of outstanding bank overdraft.

Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position of the Company at cost less accumulated impairment losses, if any.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and financial assets at fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, 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.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling in the near term; or

— it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other income" in the consolidated statements of profit or loss. Fair value is determined in the manner described in note 6.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from the ultimate holding company and related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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 default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed to be impaired individually. Objective evidence of impairment for a receivable 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, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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 in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to subsidiaries, a related party and directors, obligation under finance lease, unsecured bank borrowing and bank overdraft 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 periods. 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.

Equity instruments

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

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.

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

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 losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The followings are 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.

Construction contracts revenue recognition

The Group recognises contract revenue and profit of a construction contract in relation to provision of design and fitting-out services and design and procurement of furnishings and materials according to the management's estimation of the total outcome of the contract as well as the percentage of completion of construction works. Notwithstanding that the 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.

Impairment loss recognised in respect of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customers' current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. The net carrying values of trade and other receivables were approximately HK$16,328,000, HK$7,715,000 and HK$34,075,000 net of accumulated impairment loss in respect of trade and other receivables of HK$108,000, HK$108,000 and HK$555,000 as at 31 March 2012, 2013 and 2014 respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of net debts, which includes obligation under finance lease and unsecured bank borrowing as disclosed in notes 22 and 23 respectively, net of cash and cash equivalents as disclosed in note 20 and equity attributable to owner of the Company, comprising issued share capital and retained profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. Based on the directors' recommendation, the Group will balance its overall capital structure through payment of dividend, issuance of new shares as well as the raising of new debts or the repayment of existing debts.

6. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	The Group			The Company
				As at
		As at 31 March		31 March
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including bank balances and cash)	18,802	17,760	37,541	—
Financial liabilities				
Amortised cost	6,750	1,355	10,991	6,936

b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from the ultimate holding company and related parties, bank balances and cash, trade and other payables, amounts due to a related party and directors, unsecured bank borrowing, obligation under finance lease and bank overdraft.

The Company's major financial instruments include amounts due to subsidiaries.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign currency risk

The Group has certain portion of bank balances and cash, trade and other receivables and trade and other payables denominated in currencies other than the functional currency of the entities to which they relate. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the functional currency strengthen 5% against the relevant foreign currency. For a 5% weakening of HK$ against the relevant foreign currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

		At 31 March	
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
RMB	37	—	5
SGD	—	(1)	—
Malaysia Ringgit ("MYR")	—	—	153

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate interest bearing obligation under finance lease (see note 22 for details). The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, bank overdraft and bank borrowing (see notes 20 and 23 for details) at prevailing market rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the related bank's Hong Kong Dollars Prime Rate ("P") arising from the Group's HK$ denominated borrowing and overdraft.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. During the Relevant Periods, a 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would increase/decrease by approximately HK$2,000, HK$51,000 and HK$4,000 for the three years ended 31 March 2012, 2013 and 2014 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances, bank overdraft and unsecured bank borrowing.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the Relevant Periods.

Credit risk

As at 31 March 2012, 2013 and 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group 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 Group reviews 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 of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100%, 99% and 75% of the total trade receivables as at 31 March 2012, 2013 and 2014 respectively.

The Group has concentration of credit risk as 59%, 69%, and 67% of the total trade receivables was due from the Group's largest customer and 100%, 91% and 96% of that was due from its five largest customers as at 31 March 2012, 2013 and 2014 respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of unsecured bank borrowing and other source of funding and considers the risk is minimal.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, unsecured bank borrowing 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 table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

Liquidity risk tables

The Group

	On demand or within one year *HK$'000*	More than one year but not exceeding two years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 March 2012				
Trade and other payables	1,839	—	1,839	1,839
Amount due to a related party	3,450	—	3,450	3,450
Amounts due to directors	647	—	647	647
Obligation under finance lease	79	53	132	128
Unsecured bank borrowing *(note)*	686	—	686	686
	6,701	53	6,754	6,750

	On demand or within one year *HK$'000*	More than one year but not exceeding two years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 March 2013				
Trade and other payables	815	—	815	815
Obligation under finance lease	53	—	53	52
Unsecured bank borrowing *(note)*	488	—	488	488
	1,356	—	1,356	1,355

	On demand or within one year *HK$'000*	More than one year but not exceeding two years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 March 2014				
Trade and other payables	5,722	—	5,722	5,722
Bank overdraft	4,985	—	4,985	4,985
Unsecured bank borrowing *(note)*	284	—	284	284
	10,991	—	10,991	10,991

The Company

	On demand or within one year *HK$'000*	More than one year but not exceeding two years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 March 2014				
Amounts due to subsidiaries	6,936	—	6,936	6,936

Note: Unsecured bank borrowing with a repayment on demand clause are included in the 'on demand or within one year' time band in the above maturity analysis. As at 31 March 2012, 2013 and 2014, the aggregate undiscounted amounts (aggregate of principal and interest) of these unsecured bank borrowing amounted to approximately HK$727,000, HK$509,000 and HK$291,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors of the Company believed that such bank borrowing would be repaid ranging from one year to five years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreement.

c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their immediate or short-term maturities.

The directors of the Company consider that the fair values of the other non-current financial liabilities approximate their carrying amounts as the impact of discounting is not significant.

7. REVENUE

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Design & fitting-out service income	56,457	44,620	68,546
Design & procurement of furnishings and materials service:			
Sales of furnishings and materials	402	553	266
Procurement of furnishings and materials	119	28,137	27,075
	56,978	73,310	95,887

8. SEGMENT INFORMATION

Information reported to the Chief Executive Officer (the "CEO"), being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CEO have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(1) Provision of design and fitting-out service ("Design & fitting-out"); and

(2) Provision of design and procurement of furnishings and materials service ("Design and procurement of furnishings and materials service").

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 March 2012

	Design & fitting-out	Design and procurement of furnishings and materials service	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	56,457	521	56,978
Segment profit	11,350	320	11,670
Other income			55
Central administration costs			(7,093)
Finance costs			(34)
Profit before tax			4,598

For the year ended 31 March 2013

	Design & fitting-out	Design and procurement of furnishings and materials service	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	44,620	28,690	73,310
Segment profit	16,906	11,839	28,745
Other income			13
Central administration costs			(6,796)
Finance costs			(24)
Profit before tax			21,938

For the year ended 31 March 2014

	Design & fitting-out	Design and procurement of furnishings and materials service	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	68,546	27,341	95,887
Segment profit	16,150	9,128	25,278
Other income			34
Central administration costs			(13,320)
Finance costs			(44)
Profit before tax			11,948

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other income, central administration costs (including directors' emoluments) and finance costs. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Segment assets			
Design & fitting-out	10,645	6,651	16,845
Design and procurement of furnishings and materials service	4,741	6,091	23,067
Total segment assets	15,386	12,742	39,912
Unallocated corporate assets	6,213	12,124	9,248
Total assets	21,599	24,866	49,160
Segment liabilities			
Design & fitting-out	6,362	6,909	16,235
Design and procurement of furnishings and materials service	7,267	86	2,495
Total segment liabilities	13,629	6,995	18,730
Unallocated corporate liabilities	6,799	4,475	7,235
Total liabilities	20,428	11,470	25,965

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than plant and equipment, certain prepayments, deposits and other receivables, amounts due from the ultimate holding company and related parties, tax recoverable and bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to reportable segments other than certain accrued expenses and other payables, obligation under finance lease, income tax payable, unsecured bank borrowing, bank overdraft, amounts due to a related party and directors and deferred tax liability as these liabilities are managed on a group basis.

Other segment information

For the year ended 31 March 2012

	Design & fitting-out *HK$'000*	Design and procurement of furnishings and materials service *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Impairment loss on trade receivables	108	—	—	108
Additions to plant and equipment	—	—	544	544
Depreciation of plant and equipment	—	—	222	222
Loss on write-off of plant and equipment	—	—	56	56
Bank interest income	—	—	(2)	(2)
Gain on disposal of financial assets at fair value through profit or loss	—	—	(15)	(15)
Finance costs	—	—	34	34

For the year ended 31 March 2013

	Design & fitting-out *HK$'000*	Design and procurement of furnishings and materials service *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to plant and equipment	—	—	76	76
Depreciation of plant and equipment	—	—	176	176
Bank interest income	—	—	(2)	(2)
Finance costs	—	—	24	24

For the year ended 31 March 2014

	Design & fitting-out *HK$'000*	Design and procurement of furnishings and materials service *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Impairment loss on trade and other receivables	583	—	—	583
Additions to plant and equipment	—	—	515	515
Depreciation of plant and equipment	—	—	204	204
Bank interest income	—	—	(3)	(3)
Finance costs	—	—	44	44

Geographical information

The Group's operations are located in Hong Kong, Singapore and Malaysia.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

Revenue from external customers

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	56,978	61,339	74,484
Singapore	—	11,971	922
Malaysia	—	—	20,481
	56,978	73,310	95,887

Non-current assets

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	521	420	731
Singapore	—	1	1
	521	421	732

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Customer A[1]	43,017	34,719	28,026
Customer B[1]	N/A[3]	19,639	N/A[3]
Customer C[1]	N/A[3]	11,772	N/A[3]
Customer D[2]	N/A[3]	N/A[3]	20,481
Customer E[1]	N/A[3]	N/A[3]	19,156
Customer F[1]	N/A[3]	N/A[3]	10,730

1 Revenue from Design & fitting-out.

2 Revenue from Design & procurement of furnishings and materials service.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	2	2	3
Gain on disposal of financial assets at fair value through profit or loss	15	—	—
Sundry income	38	11	31
	55	13	34

10. FINANCE COSTS

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Interests on:			
— Unsecured bank borrowing wholly repayable within five years	28	21	43
— Finance lease	6	3	1
	34	24	44

11. INCOME TAX EXPENSE, TAX RECOVERABLE AND INCOME TAX PAYABLE

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong Profits Tax			
Current tax	935	3,417	1,452
Singapore Corporate Tax			
Current tax	—	146	809
Deferred taxation *(note 24)*	20	4	42
Income tax expense for the year	955	3,567	2,303

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the Relevant Periods.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

Singapore Corporate Tax has been provided at the rate of 17% on the estimated assessable profits for the Relevant Periods.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss as follows:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	4,598	21,938	11,948
Tax expense at rates applicable to profits in the jurisdiction concerned	757	3,633	2,005
Tax effect of income not taxable for tax purpose	(5)	(2)	(187)
Tax effect of expenses not deductible for tax purpose	4	11	903
Tax effect of deductible temporary differences not recognised	26	12	51
Tax effect of tax losses not recognised	384	287	27
Utilisation of tax losses not recognised	(176)	(74)	(335)
Effect of tax exemptions granted *(note)*	(35)	(300)	(161)
Income tax expense for the year	955	3,567	2,303

Details of deferred taxation are set out in note 24.

Note: Tax exemptions represented reduction of Hong Kong profits tax for the year of assessment 2011/2012 and 2012/2013 by 75%, subject to a ceiling of HK$12,000 and HK$10,000 respectively per case and exemptions of Singapore income tax for the year of assessment 2012/2013 and 2013/2014 at regressive rate.

The income tax payable amounted to HK$976,000, HK$3,597,000 and HK$1,189,000 as at 31 March 2012, 2013 and 2014 respectively represented the provision for Hong Kong Profits Tax and Singapore Corporate Tax. The income tax recoverable amounted to HK$21,000, HK$560,000 and HK$1,557,000 as at 31 March 2012, 2013 and 2014 respectively represented the prepaid Hong Kong Profits Tax.

12. PROFIT FOR THE YEAR

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging:			
Directors' emoluments *(note 13)*	1,815	1,169	1,226
Salaries, wages and other benefits (excluding directors' emoluments)	2,546	3,365	3,640
Contribution to defined contribution retirement benefits scheme (excluding directors)	106	179	211
	4,467	4,713	5,077
Auditor's remuneration	228	95	105
Depreciation	222	176	204
Loss on write-off of plant and equipment	56	—	—
Impairment loss on trade and other receivables (included in administrative expense) *(note 17)*	108	—	583
Minimum lease payments under operating leases in respect of office premises	279	323	300
Initial public offering expenses (included in administrative expense)	—	—	5,420

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, no amounts were paid in respect of directors' emoluments. Details of other emoluments paid to the 3 directors and the CEO irrespective of services as directors are as follows:

	Salaries, allowances and other benefits	Contribution to defined contribution retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2012			
Executive directors:			
Mr. Chan Tat Wah	604	—	604
Mr. Fok Chun Kit (CEO)	727	12	739
Mr. Tsang Kei Cheong	460	12	472
	1,791	24	1,815
Year ended 31 March 2013			
Executive directors:			
Mr. Chan Tat Wah	70	—	70
Mr. Fok Chun Kit (CEO)	610	15	625
Mr. Tsang Kei Cheong	462	12	474
	1,142	27	1,169
Year ended 31 March 2014			
Executive directors:			
Mr. Chan Tat Wah	80	—	80
Mr. Fok Chun Kit (CEO)	636	15	651
Mr. Tsang Kei Cheong	480	15	495
	1,196	30	1,226

Mr. Fok Chun Kit and Mr. Tsang Kei Cheong were appointed as the executive directors of the Company on 20 January 2014 and their emoluments as disclosed above for the three years ended 31 March 2012, 2013 and 2014 included the remuneration prior to their appointment as the three executive directors.

Commencing from the listing date as defined in "Definitions" to the Prospectus ("Listing Date"), the initial annual remunerations for the Executive directors (include Mr. Fok Chun Kit as the CEO) under their respective service contracts are disclosed in note 9 of the Part "C. Further information about Directors, Management and Staff" set out in Appendix IV "Statutory and General Information" to the Prospectus.

No emoluments were paid by the Group to the directors as an incentive payment for joining the Group or as compensation for loss of office during the Relevant Periods.

(b) Employees' emoluments

Of the five highest paid individuals of the Group included the three, two and two directors for the three years ended 31 March 2012, 2013 and 2014 respectively, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining two, three and three highest paid individuals for the three years ended 31 March 2012, 2013 and 2014 respectively are as follows:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances, and other benefits	1,320	1,594	1,478
Contribution to defined contribution retirement benefits scheme	24	31	44
	1,344	1,625	1,522

The emoluments paid to the members of senior management (excluding directors) were within the following bands:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Nil to HK$1,000,000	1	2	3
HK$1,000,001 to HK$1,500,000	1	1	—
	2	3	3

No emoluments were paid by the Group to any directors and the CEO of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

14. DIVIDENDS

The dividends paid by the Company's subsidiaries to its then shareholders in respect of year ended 31 March 2013 amounted to approximately HK$6,175,000. 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 report.

No dividends have been paid or declared by the Company since the date of its incorporation on 29 July 2013.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the three years ended 31 March 2012, 2013 and 2014 is based on the profit for the year attributable to the owners of the Company of approximately HK$3,643,000, HK$18,371,000, HK$9,645,000 respectively and on the basis of 225,000,000 ordinary shares issued pursuant to the Reorganisation and capitalisation issue arising from the listing of shares of the Company that are deemed to have become effective on 1 April 2011.

Diluted earnings per share are equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the Relevant Periods.

16. PLANT AND EQUIPMENT

	Leasehold improvement *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
As at 1 April 2011	—	233	—	330	563
Additions	393	65	86	—	544
Write-off	—	(207)	—	—	(207)
As at 31 March 2012 and 1 April 2012	393	91	86	330	900
Additions	24	4	48	—	76
As at 31 March 2013 and 1 April 2013	417	95	134	330	976
Additions	62	36	417	—	515
As at 31 March 2014	479	131	551	330	1,491
DEPRECIATION					
As at 1 April 2011	—	160	—	148	308
Charge for the year	118	23	26	55	222
Write-off	—	(151)	—	—	(151)
As at 31 March 2012 and 1 April 2012	118	32	26	203	379
Charge for the year	90	17	31	38	176
As at 31 March 2013 and 1 April 2013	208	49	57	241	555
Charge for the year	73	22	83	26	204
As at 31 March 2014	281	71	140	267	759
NET CARRYING VALUES					
As at 31 March 2012	275	59	60	127	521
As at 31 March 2013	209	46	77	89	421
As at 31 March 2014	198	60	411	63	732

Depreciation is recognised so as to write off the cost of plant and equipment less their residual value, if any, using the diminishing balance method over their estimated useful lives or depreciation rates as follows:

Leasehold improvement	Shorter of unexpired lease term or useful life of 3 years
Furniture and fixtures	30%
Office equipment	30%
Motor vehicles	30%

As at 31 March 2012, 2013 and 2014, the net carrying values of plant and equipment included a motor vehicle of approximately HK$110,000, HK$77,000 and nil respectively, held under obligation under finance lease.

17. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of the reporting period:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	13,961	7,142	32,698
Less: Allowance for doubtful debts *(note a)*	(108)	(108)	(475)
Net trade receivables *(note b)*	13,853	7,034	32,223
Retention money receivables	356	80	80
Less: Allowance for doubtful debts *(note a)*	—	—	(80)
	356	80	—
Prepayments, deposits and other receivables	2,119	601	1,852
Trade and other receivables	16,328	7,715	34,075

The Group does not hold any collateral over these balances.

Notes:

(a) The movements in the allowance for doubtful debts were as follows:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	—	108	108
Amounts written off as uncollectible	—	—	(136)
Impairment loss recognised during the year *(note 12)*	108	—	583
At end of the year	108	108	555

As at 31 March 2012, 2013 and 2014, included in the allowance for doubtful debts were individually impaired trade and other receivables of approximately HK$108,000, HK$108,000 and HK$555,000 respectively which had been long outstanding. The individually impaired trade and other receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions.

(b) The Group allows an average credit period ranging from 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	12,117	73	10,479
More than 30 days but within 90 days	217	1,690	1,258
More than 90 days but within 180 days	62	2,676	14,885
More than 180 days but within 365 days	1,337	1,879	4,497
More than 365 days	120	716	1,104
	13,853	7,034	32,223

As at 31 March 2012, 2013 and 2014, included in the Group's trade receivables were debtors with aggregate carrying amounts of approximately HK$1,003,000, HK$4,475,000 and HK$7,098,000 which were past due at the end of each reporting period for which the Group has not provided for impairment loss.

(c) The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	12,850	2,559	25,125
Past due but not impaired			
Within 30 days	863	686	4,604
More than 30 days and within 90 days	—	2,335	767
More than 90 days	140	1,454	1,727
	13,853	7,034	32,223

The directors of the Company consider that there has not been a significant change in credit quality of the trade receivables and there is no recent history of default, therefore the amounts are considered recoverable. The Group does not hold any collateral over these balances.

(d) Included in trade and other receivables in the consolidated statements of financial position are mainly the following amounts denominated in currency other than the functional currency of the entity to which they relate:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
RMB	856	—	—
MYR	—	—	3,676

(e) Subsequent to the year ended 31 March 2014, due to a change of work schedule and payment terms of a contract with a customer, a trade receivable of HK$13,000,000 as at the year ended 31 March 2014 was revised to approximately HK$1,872,000.

18. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Contracts in progress at the end of each reporting period:			
Contract costs incurred plus recognised profits less recognised losses	75,093	65,350	77,006
Less: progress billings	(85,492)	(66,216)	(82,997)
	(10,399)	(866)	(5,991)
Analysed for reporting purposes as:			
Amounts due from customers for contract work	1,177	5,628	7,689
Amounts due to customers for contract work	(11,576)	(6,494)	(13,680)
	(10,399)	(866)	(5,991)

Subsequent to the year ended 31 March 2014, due to a change of work schedule and payment terms of a contract with a customer, an amount due to customers for contract work of HK$13,000,000 as at year ended 31 March 2014 was revised to approximately HK$1,872,000.

19. AMOUNTS DUE FROM (TO) THE ULTIMATE HOLDING COMPANY/RELATED PARTIES/DIRECTORS/SUBSIDIARIES

Amounts due from (to) the ultimate holding company, related parties, directors and subsidiaries were non-trading in nature, unsecured, interest-free and repayable on demand.

The Group

	As at 31 March			Maximum amount outstanding during the year ended 31 March		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from the ultimate holding company						
Genius Idea Holdings Limited	15	20	—	15	20	—
Amounts due from related parties						
Trinity Champ Limited ("Trinity Champ")	2,599	—	—	2,599	4,280	—
Karlson Survey Consultants Limited	3	—	—	3	3	—
	2,602	—	—	2,602	4,283	—
Amount due to a related party						
Ms.Lee Yuk Pui, the spouse of a director of the Company	(3,450)	—	—			
Amounts due to directors						
Mr. Chan Tat Wah	(297)	—	—			
Mr. Fok Chun Kit	(350)	—	—			
	(647)	—	—			

The Company

	As at 31 March 2014
	HK$'000
Amounts due to subsidiaries	
China Sourcing	466
Karlson C & C Limited	6,470
	6,936

20. BANK BALANCES AND CASH AND BANK OVERDRAFT

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with maturity within three months from initial inception. Bank balances carried interest at market rates ranging from 0.01% to 0.1% per annum during the Relevant Periods. The bank balances are deposited with creditworthy banks with no recent history of default.

The Group's bank balances and cash denominated in SGD amounted to approximately HK$12,000, HK$619,000 and HK$260,000 at 31 March 2012, 2013 and 2014 respectively.

Included in bank balances and cash in the consolidated statements of financial position are mainly the following amounts denominated in currency other than the functional currency of the entity to which they relate:

		At 31 March	
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
RMB	39	39	185

Bank overdraft

Unsecured bank overdraft carries interest at a range from 4.25% to 13% per annum during the Relevant Periods.

21. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of the reporting period:

		As at 31 March	
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables *(note)*	947	501	5,011
Receipt in advances	1,106	—	39
Accrued expenses and other payables	892	314	711
	2,945	815	5,761

Note:

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

		As at 31 March	
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	947	501	4,899
More than 30 days but within 90 days	—	—	18
More than 90 days	—	—	94
	947	501	5,011

The average credit period on trade payables is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

Included in trade and other payables in the consolidated statements of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entities to which they relate:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
RMB	14	29	66
SGD	—	16	—
MYR	—	—	175

22. OBLIGATION UNDER FINANCE LEASE

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting purposes as:			
Current liabilities	76	52	—
Non-current liabilities	52	—	—
	128	52	—

A motor vehicle of the Group is held under finance lease. The lease term was 3 years. During the Relevant Periods, the obligation under finance lease carried effective interest rate at 4.7% per annum.

	Minimum lease payments As at 31 March			Present value of minimum lease payments As at 31 March		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases						
Within one year	79	53	—	76	52	—
More than one year but less than two years	53	—	—	52	—	—
	132	53	—	128	52	—
Less: future finance charges	(4)	(1)	—	N/A	N/A	N/A
Present value of obligations under finance lease	128	52	—	128	52	—
Less: amount due for settlement with 12 months (shown under current liabilities)				76	52	—
Amount due for settlement after 12 months				52	—	—

The Group's obligation under finance lease is secured by the lessor's charge over the leased asset.

23. UNSECURED BANK BORROWING

	As at 31 March		
	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
Unsecured bank borrowing	686	488	284

	As at 31 March		
	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount of bank borrowings that are repayable on demand or within one year	198	204	284
Carrying amount of bank borrowing that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	488	284	—
	686	488	284

The unsecured bank borrowing's scheduled maturity is in July 2015 as set out in the loan agreement.

For the three years ended 31 March 2012, 2013 and 2014, unsecured bank borrowing bore average floating interest rates 3.5%, 3.5% and 3.5% per annum respectively.

As at 31 March 2012, 2013 and 2014, a director of the Company, Mr. Chan Tat Wah provided personal guarantee to this bank borrowing.

24. DEFERRED TAX LIABILITY

The following is the major deferred tax liability recognised by the Group and movements thereon for the three years ended 31 March 2012, 2013 and 2014:

	Accelerated tax depreciation
	HK$'000
At 1 April 2011	—
Charged to consolidated statement of profit or loss	20
At 31 March 2012 and 1 April 2012	20
Charged to consolidated statement of profit or loss	4
At 31 March 2013 and 1 April 2013	24
Charged to consolidated statement of profit or loss	42
At 31 March 2014	66

At 31 March 2012, 2013 and 2014, the Group has unused tax losses of approximately HK$4,885,000, HK$6,177,000 and HK$8,043,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

At 31 March 2012, 2013 and 2014, the Group has deductible temporary differences of approximately HK$204,000, HK$277,000 and HK$586,000 respectively available for offset against future profits. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

25. SHARE CAPITAL

Share capital in the consolidated statements of financial position as at 31 March 2012 and 2013 represented the issued and fully paid share capital of China Sourcing comprising one ordinary share of US$1 attributable to Genius Idea.

Share capital in the consolidated statements of financial position as at 31 March 2014 represented the issued and fully paid share capital of the Company comprising two ordinary share of HK$1 each.

On 31 August 2013, Genius Idea, the former immediate holding company of China Sourcing entered into an equity transfer agreement with the Company, pursuant to which Genius Idea agreed to transfer its entire equity interests in China Sourcing to the Company. In order to acquire the entire equity interests in China Sourcing, the Company allotted and issued one additional ordinary share of HK$1 to Genius Idea on the same date. The Company was set up as an investment vehicle for holding the equity interests in China Sourcing. Other than holding the equity interests in China Sourcing, the Company does not carry on any business since its incorporation.

Share capital in the consolidated statements of financial position as at 31 March 2014 represented the issued and fully paid share capital of the Company comprising two ordinary shares of HK$1 each.

	Number of ordinary shares	**Nominal value of ordinary shares**
		HK$'000
Authorised:		
Ordinary share of HK$1 each as at the date of incorporation and as at 31 March 2014 *(note a)*	10,000	10
Issued and fully paid:		
Ordinary share of HK$1 each at the date of incorporation *(note a)*	1	—
Issued in consideration of the acquisition of the issued share capital of China Sourcing *(note b)*	1	—
Ordinary shares of HK$1 as at 31 March 2014	2	—

Notes:

(a) On 29 July 2013, the Company was incorporated in Hong Kong as a company with limited liabilities under the Old Companies Ordinance with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. At the date of incorporation, one ordinary share was issued and fully paid.

(b) On 31 August 2013, the Company allotted and issued one additional ordinary share to acquire the entire equity interests in China Sourcing.

All shares issued during the period ended 31 March 2014 rank pari passu with existing in all respects.

26. RESERVES OF THE COMPANY

	Other reserve *(Note)* *HK$'000*	Accumulated loss *HK$'000*	Total *HK$'000*
As at 29 July 2013 (date of incorporation)	—	—	—
Arising from Reorganisation	21,063	—	21,063
Loss for the period and total comprehensive expense for the period	—	(5,426)	(5,426)
As at 31 March 2014	21,063	(5,426)	15,637

Note: Other reserve represents the difference between the nominal value of the shares issued for acquisition of China Sourcing and the consolidated net asset value of China Sourcing and its subsidiaries at the date of acquisition.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	300	300	100
In the second to fifth year inclusive	400	100	—
	700	400	100

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated and rentals are fixed for an average term of one to three years.

28. PLEDGE OF ASSET

At the end of the reporting period, the Group pledged the following asset to a bank under finance lease:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Motor vehicle	110	77	—

29. RETIREMENT BENEFITS SCHEME

The Group operates MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees and subject to a cap of HK$1,500 (HK$1,000 prior to June 2012 and HK$1,250 prior to June 2014) per employee.

Under the laws of Singapore, certain subsidiaries of the Company make contributions to the state pension scheme, the Central Provident Fund ("CPF"). The subsidiary of the Company in Singapore are required to contribute certain percentages varies from 5% to 20% of the monthly salaries of their current employees to the CPF for each of the three years ended 31 March 2012, 2013 and 2014.

For the three years ended 31 March 2012, 2013 and 2014, the total expenses recognised in the consolidated statements of profit or loss are approximately HK$130,000, HK$206,000 and HK$241,000 respectively, which represent contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

30. RELATED PARTIES TRANSACTIONS

(a) Save as disclosed elsewhere in the Financial Information, during the three years ended 31 March 2012, 2013 and 2014, the Group entered into transactions with related parties as follows:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and bonus paid to the spouse of a director of the Company	1,020	1,533	735
Rental expense paid to Trinity Champ	9	—	—
Design & fitting-out service income received from a close family member of a director of the Company	200	—	—
Design & fitting-out service income received from Mutual Time Limited *(Note)*	385	—	—

Note: Mr. Chan Tat Wah, a director of the Company, has significant influence over Mutual Time Limited.

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the Relevant Periods is as follows:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	3,111	2,736	2,674
Contributions to retirement benefits scheme	48	58	74
	3,159	2,794	2,748

(c) Under a deed of indemnity dated 15 November 2012, Mr. Chan Tat Wah, a director of the Company, has undertaken to provide indemnities on a joint and several basis in respect of, amongst other matters, all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of the Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of the Group on or before the listing date.

B. EVENTS AFTER THE REPORTING PERIOD

1. Subsequent to the year ended 31 March 2014, due to a change of payment terms of a contract with a customer, a trade receivable of HK$13,000,000 as at year ended 31 March 2014 was revised to approximately HK$1,872,000, and correspondingly an amendment was made to the amounts due to customers for contract work. The change of payment terms did not have an impact on the Group's revenue, profit for the year attributable to owners of the Group for the year ended 31 March 2014 and the net assets of the Group as at 31 March 2014 and as at the date of the accountants' report.

2. On 21 May 2014, the Group has entered into a loan facility with a bank. Pursuant to which, a term loan facility for HK$5,000,000 is granted to the Group to replace the overdraft facility of HK$5,000,000. A term loan of HK$5,000,000 was drawn down by the Group on 22 May 2014. This term loan was secured by personal bank deposit and personal guarantee provided by Mr. Chan Tat Wah. The personal guarantee will be released upon the Listing. The personal bank deposit will be replaced by the Group's bank deposit as security upon the Listing.

3. Pursuant to the written resolutions of the sole shareholder of the Company passed on 30 June 2014,

   (i) the Company has conditionally adopted a share option scheme. The principal terms of the share option scheme are set out in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix IV to the Prospectus. No option was granted as at the date of this report; and

   (ii) conditional on the conditions of issue of shares pursuant to the bonus issue set out in the section headed "Statutory and general information — 3. Resolutions in writing of the sole shareholder, Genius Idea, passed on 30 June 2014" in Appendix IV to the Prospectus, the directors had authorised to allot and issue to Genius Idea a total of 224,999,998 shares by way of bonus issue without payment and credited as fully paid.".

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2014.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong

The information set out in this Appendix does not form part of the accountants' report prepared by SHINEWING (HK) CPA Limited, as set forth in Appendix I to this prospectus, and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.

The following unaudited pro forma financial information prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to provide the prospective investors with further information about how the Placing might have affected the consolidated net tangible assets of the Group as if the Placing had occurred on 31 March 2014. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial results and position of financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our Group, prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Placing on the consolidated net tangible assets of our Group attributable to the owners of our Company as if the Placing had taken place on 31 March 2014. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated financial position of our Group attributable to the owners of our Company had the Placing been completed on 31 March 2014 or at any future dates.

	Audited consolidated tangible assets attributable to the owners of our Company as at 31 March 2014	**Estimated net proceeds from the Placing**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 3)*
Based on the Placing Price of HK$0.50 per Placing Share	23,195	26,931	50,126	0.17
Based on the Placing Price of HK$0.70 per Placing Share	23,195	41,481	64,676	0.22

Notes:

1. The audited consolidated net tangible assets attributable to the owners of our Company as at 31 March 2014 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Placing are based on 75,000,000 Placing Shares at the Placing Price range of HK$0.50 per Placing Share and HK$0.70 per Placing Share, after deduction of the underwriting fees and related expenses payable by our Company in connection with the Placing.

3. The unaudited pro forma adjusted consolidated net tangible assets to owners of our Company per Share is calculated based on 300,000,000 Shares in issue immediately following the completion of the Placing and Bonus Issue. It does not take into account any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 31 March 2014.

B. ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, for the purpose of incorporation in this prospectus.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

8 July 2014

The Board of Directors
Kate China Holdings Limited
Unit A, 10/F, Tontex Industrial Building,
No. 2-4 Sheung Hei Street,
San Po Kong,
Kowloon, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Kate China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma net asset statement as at 31 March 2014 and related notes as set out in Appendix II of the prospectus ("Prospectus") dated 8 July 2014 in connection with the proposed Placing of 75,000,000 shares at the Placing Price range of HK$0.50 per Placing Share and HK$0.70 per Placing Share in the Company (the "Placing"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described in Appendix II of the Prospectus.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Placing on the Group's financial position as at 31 March 2014 as if the Placing had taken place at 31 March 2014. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's consolidated financial statements for the three years ended 31 March 2014, on which an accountants' report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Prospectus is solely to illustrate the impact of the Placing on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong

This Appendix contains a summary of our Articles of Association. The principal objective is to provide potential investors with an overview of our Articles of Association. As the information contained below is in a summary form, it does not contain all the information that may be important to potential investors. As stated in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V, a copy of the Articles of Association is available for inspection.

The Articles of Association were approved by Genius Idea, the sole Shareholder on 30 June 2014. The following is a summary of certain provisions of the Articles of Association. Unless otherwise stated, terms used in this appendix shall have the same meanings as ascribed to them in the Articles of Association.

Any reference to the New Companies Ordinance in this Appendix III shall be a reference to the New Companies Ordinance which came into effect on 3 March 2014.

ALTERATION OF CAPITAL

According to Article 68, the Company may from time to time alter its capital in any one or more of the ways permitted by the New Companies Ordinance and every other ordinance (including subsidiary legislation, regulations or orders made thereunder) for the time being in force and applying or affecting the Company (together, the "Statutes"). Anything done in pursuance of Article 68 shall be done in any manner provided, and subject to any conditions imposed, by the Statutes, so far as they shall be applicable, and, so far as they shall not be applicable, in accordance with the terms of the resolution authorising the same, and, so far as such resolution shall not be applicable, in such manner as the Directors deem most expedient.

The general meeting at which any resolution on the creation of any new shares is put may direct that the same or any of them shall be offered in the first instance to all the holders for the time being of any class of shares in the capital of the Company, in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in the absence of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of the Directors, and Article 7 shall apply.

The Company may by special resolution reduce its share capital or any other undistributable reserves in any manner subject to the provisions of the Statutes and the Articles and the GEM Listing Rules.

Subject always to the provisions of the Statues, the GEM Listing Rules and the Articles, the Board may issue any Shares on terms that is to be redeemed or is liable to be redeemed at the option of the Company or its holder, and the Board may determine the terms, conditions and manner of redemption of the shares, and the Company may purchase its own Shares of any class in the capital of the Company, including any redeemable shares or warrants or other securities carrying a right to subscribe for or purchase shares of the Company issued by the Company and, should the Company acquire its own Shares or warrants or other such securities, neither the Company nor the Directors shall be required to select the shares or warrants to be acquired rateably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares or warrants, provided that in the case of purchase of redeemable shares, (a) purchases not made though market or by tender shall be limited to a maximum price and (b) if purchase are by tender, tenders shall be available to all Shareholders holding redeemable Shares of the Company alike.

VARIATION OF CLASS RIGHTS

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the special rights or privileges attaching to any class of Shares (unless otherwise provided by the terms of issue of the Shares of that class) may, subject to the provisions of the New Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued Shares of representing at least 75 per cent. or the total voting rights of holders of Shares in that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of the relevant class (but not otherwise). Subject to the Statutes and the GEM Listing Rules, at every such separate general meeting all the provisions of the Articles of Association relating to general meetings of the Company or to the proceedings thereat shall apply, mutatis mutandis, except that:

(a) the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons present in person or by proxy together holding at least one-third of the total voting rights of holders of shares in that class;

(b) at an adjourned meeting the necessary quorum shall be one person holding shares of the class or his proxy;

(c) the holders of shares of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively; and

(d) any one holder of shares of the class whether present in person or by proxy may demand a poll.

TRANSFER OF SHARES

Subject to the Statues and the restrictions in the Articles, all transfers of Shares shall be effected by an instrument of transfer and in any standard form prescribed by the Stock Exchange or in any other form which the Directors may approve and shall be executed under hand or, if the transferor or transferee is a clearing house (or its nominees(s)), the instrument of transfer shall be executed by hand or by machine imprinted signature or in such other form as the Board may approve by such manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and by or on behalf of the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. Without prejudice to the above, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the Shares concerned until the name of the transferee is entered into the Company's register of members in respect thereof. Nothing in the Articles shall preclude the Directors from recognising a renunciation of the allotment or provisional allotment of any Share by the allottee in favour of some other person.

The Board may, subject to Section 151 of the New Companies Ordinance, in its absolute discretion decline to register any transfer of Shares (not being a fully paid up Share) to any person provided that it shall register any transfer of Shares for the purpose of enforcing a security interest over such Shares. The Board shall not register a transfer to a person who is known to them to be an infant or a person who is mentally incapacitated or under other legal disability but the Board shall not be bound to enquire into the age or soundness of mind of any transferee. In the case of a transfer to joint holders, the Board may also decline to register the transfer unless the number of transferees does not exceed four.

The Board may also decline to register any transfer unless:

(a) a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;

(b) the instrument of transfer is accompanied by the certificate of the Shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and is delivered to the registered office of the Company;

(c) such other conditions as the Board may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied;

(d) the instrument of transfer is in respect of only one (1) class of Shares;

(e) the Shares concerned are free of any lien in favour of the Company; and

(f) if applicable, the instrument of transfer is duly and properly stamped.

Every instrument of transfer shall be left at the registered office of the Company for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate of the Shares to be transferred and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the Shares. If the Board refuses to register a transfer it shall within two (2) months after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal. Upon request by the transferor or transferee, the Directors must, within twenty-eight (28) days after receiving such request, send to the transferor or transferee (as the case may be) a statement of the reasons for the refusal. All instruments of transfer which are registered may be retained by the Company but any instrument of transfer which the Board may decline to register shall (except in the case of fraud or suspected fraud) be returned to the person depositing the same together with the share certificate within two (2) months after the date on which the transfer was lodged with the Company.

SHARE CERTIFICATES

Subject to the New Companies Ordinance and the GEM Listing Rules, every certificate for Shares or warrants or debentures or representing any other form of securities of the Company may be issued under the common seal of the Company, and the provisions of Articles 161 to 164 concerning the sealing or execution of certificates shall be complied with whenever such certificates are issued. A share certificate shall specify the number and class of Shares and, if required, the distinctive numbers thereof, to which it relates, and the amount paid up thereon and may otherwise be in such form as the Board may from time to time determine. If at any time the share capital of the Company is divided into different classes of shares, every share certificate issued at that time shall comply with Section 179 of the New Companies Ordinance, and no certificate shall be issued in respect of more than one class of shares. Subject to Sections 162 to 169 of the New Companies Ordinance, if a certificate for Shares or warrants is defaced, lost or destroyed, it may be replaced on payment of a fee, if any, not exceeding the maximum amount as the Stock Exchange may from time to time permit and on such terms, if any, as the Board thinks fit as to evidence and indemnity. The Board can also require the Shareholders to pay the out-of-pocket expenses of the Company incurred in investigating any evidence and in preparing the form of indemnity as the Board thinks fit.

VOTES OF MEMBERS

Subject to the GEM Listing Rules, at every general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or upon the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll be demanded by:

(a) the chairman of the meeting; or

(b) at least three (3) Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy having the right to vote on the resolution; or

(c) any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy representing in aggregate at least five per cent. of the total voting rights of all the Shareholders having the right to attend and vote at the meeting.

Any instrument appointing a proxy may be in any usual or common form or in any other form which the Board may approve. If the Company allows the instrument appointing a proxy to be delivered to it in electronic form, it may require the delivery to be properly protected by a specified security arrangement.

Subject to the provision of the Articles of Association and the Statutes and to any special rights or restrictions as to voting for the time being attached to any class or classes of Shares, on a show of hands every Shareholder present in person or by proxy or representative shall have one (1) vote, and on a poll every Shareholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a representative duly authorised under Section 606 or 607 of the New Companies Ordinance or by proxy at any general meeting shall have one (1) vote for each fully paid up Share of which he is the holder. A person entitled to cast more than one (1) vote upon a poll need not use all his votes or cast all the votes he uses in the same way.

Any corporation which is a Shareholder may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Shareholders, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder.

Without prejudice to the generality of Article 108, if a clearing house recognised under the SFO or any other ordinance substituted therefor (a "Clearing House") (or its nominee(s)) is a Shareholder of the Company, it (or, as the case may be, its nominee) may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any general meeting of the Company or at any meeting of any class of Shareholders of the Company provided that, if more than one (1) person is so authorised, the authorisation or proxy form shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised under the provisions of the Articles of Association shall be entitled to exercise the same rights and powers on behalf of the Clearing House (or its nominee(s)) which he represents as that Clearing House (or its nominee(s)) could exercise as if such person were an individual Shareholder of the Company.

Where the Company has knowledge that any Shareholder is required under the Listing Rules to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any vote(s) cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

BORROWING POWERS

The Board may exercise all powers of the Company to borrow money for the purposes of the Company, without limit and upon such terms as they may think fit, and to mortgage or charge its undertaking, property (both present and future) and uncalled capital, or any part thereof, and (subject, to the extent applicable, to the provisions of the statutes) to issue bonds, debentures, debenture stock, guarantees and other securities, whether outright or as a security for any debt, liability or obligation of the Company or of any third party.

QUALIFICATION OF DIRECTORS

Unless otherwise determined by ordinary resolution of the Shareholders of the Company, the number of Directors shall not be less than the minimum required by the New Companies Ordinance and there shall not be a maximum number of Directors. A Director need not be a Shareholder of the Company and shall not be required to hold any Shares by way of qualification, but shall be entitled to receive notice of and to attend and speak at all general meetings of the Company and at all separate meetings of the holders of any class of shares of the Company.

The Board may appoint any person as an additional Director or to fill a casual vacancy, provided that any person so appointed shall hold office only until the conclusion of the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election.

However, no person (other than a Director at the meeting in accordance with the Articles) shall be eligible for appointment to the office of Director at any general meeting unless (i) he is recommended by the Board for appointment to the office of Director or (ii) not earlier than the day after the dispatch of the notice of the meeting and not later than seven (7) days prior to the date appointed for the meeting, there has been lodged at the registered office of the Company a notice, signed by at least a Shareholder (other than the person to be proposed) qualified to attend and vote at the meeting is given of his intention to propose the appointment or reappointment of such person to the office of Director, and also a notice executed by that person to be proposed of his willingness to be appointed or reappointed to the office of Director. There are no provisions relating to retirement of Directors upon reaching any age limit.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office.

DIRECTORS' REMUNERATION

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Directors may agree or, failing agreement, equally, except that if any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office.

Any Director who holds any executive office or who serves on any committee, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

The Board may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Board or of any committee of the Board or general meetings or otherwise in or about the business of the Company.

DIRECTORS' INTERESTS

A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, shareholder or otherwise and, subject to the New Companies Ordinance, no such Director shall be accountable to the Company for any remuneration or benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs.

A Director may hold other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period (subject to the Statutes) and on such terms as to remuneration (whether by way of salary, commission, participation in profits or otherwise) and otherwise as the Board may determine. Subject to the Statutes, no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such office or place of profit or as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way, whether directly or indirectly, interested (whether or not such contract or arrangement is with any person, company or partnership of or in which any Director shall be a Shareholder) be liable to be avoided on that account 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 of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall forthwith declare the nature of his interest in any contract or arrangement in which he is interested as required by and subject to the provisions of the New Companies Ordinance and the Articles of Association.

Subject to the New Companies Ordinance, if a Director or any of his associates or an entity connected with the Director is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with the Company that is significant in relation to the Company's business and the Director's interest or his associate's interest or the interest of the entity connected with the Director is material, the Director shall declare the nature and extent of his interest or the interest of any of his associates or entities connected with him in accordance with Sections 536 to 538 of the New Companies Ordinance and the Articles. A declaration of interest by a Director under Article 135(a) in a transaction, arrangement or contract that has been entered into must be made as soon as reasonably practicable and a declaration of interest by a Director under Article 135(a) in a proposed transaction, arrangement or contract must be made before the Company enters into the transaction, arrangement or contract.

Save as otherwise provided by the Articles of Association, a Director and his associates shall not vote on any resolution of the Board nor be counted in the quorum in respect of any transaction, contract, arrangement or any other proposals or matters in which he or any of his associates or any entity connected with him, is/are, to his knowledge materially interested, 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 in respect of the following matters:

(a) any contract or arrangement for the giving by the Company of any security or indemnity either:

(i) to the Director or his associate(s) or any entity connected with him 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) 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 associate(s) or any entity connected with him has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(b) any contract, arrangement or proposal concerning an offer of Shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) or any entity connected with him is/are or is/ are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(c) any contract, arrangement or proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in Shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent. or more of the issued Shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;

(d) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities, or the conditional right to obtain shares or other securities, by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) or any entity connected with him may benefit; or

(ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, their associates, any entity connected with them and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his associate(s) or any entity connected with him, as such any privilege or advantage not generally accorded to the class of persons to whom such scheme or fund relates; and

(e) any contract or arrangement in which the Director or his associate(s) or any entity connected with him is/are interested in the same manner as other holders of Shares or debentures or other securities of the Company by virtue only of his/their interest in Shares or debentures or other securities of the Company.

DIVIDENDS

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

Subject to the rights of persons, if any, entitled to Shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a Share in advance of calls shall be treated for the purposes of the Articles of Association as paid on the Share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid; but if any Share is issued on terms providing that it shall rank for dividend as from a particular date such Share shall rank for dividend accordingly.

All dividends or bonuses unclaimed for one (1) year after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividends or bonuses unclaimed after a period of six (6) after having became payable shall be forfeited and shall revert to the Company. The payment by the Company of any unclaimed dividend or other sum payable on or in respect of a Share in to a separate account shall not constitute the Company a trustee in respect thereof for any person.

UNTRACED MEMBERS

Without prejudice to the rights of the Company, the Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

The Company may sell any Shares if:

(i) during the relevant period at least three dividends or other distributions in respect of the Shares in question have become payable and no dividend or distribution during that period has been claimed;

(ii) the Company has given notice of its intention to sell the Shares by way of an advertisement published in the newspapers in accordance with the requirements of the GEM Listing Rules and has notified the Stock Exchange and a period of three (3) months or shorter period as may be allowed by the Stock Exchange has elapsed since the date of such advertisement; and

(iii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Shareholder or of any person who is entitled to such Shares by death, bankruptcy or operation of law.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve (12) years before the date of publication of advertisement in paragraph (ii) above and ending at the expiry of the period referred to in that paragraph.

ACCOUNTS

The Board shall cause proper books of account to be kept in accordance with the New Companies Ordinance and the books of account shall be kept at the registered office of the Company or, subject to Section 374 of the New Companies Ordinance, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director.

Subject to the requirements of the Statutes and to Article 190, a copy of the relevant reporting documents or the summary financial report shall, not less than twenty-one (21) days before the meeting, be delivered or sent by post to the registered address of every Shareholder and debenture holder of the Company, or in the case of a joint holding to that Shareholder or debenture holder (as the case may be) whose name stands first in the appropriate Register in respect of the joint holding.

NOTICES

Subject to the Statutes and the GEM Listing Rules and except where otherwise expressly stated, any notice, document or other information to be given to or by any person pursuant to the Articles shall be in writing. A notice calling a meeting of the Board need not be in writing. Any notice, document or other information in writing may, in accordance with the Articles and subject to the Statutes and the GEM Listing Rules, be given in hard copy form, in electronic form or by electronic means, or made available on the Company's website.

Subject to the Statutes and the GEM Listing Rules, a notice, document or any other information may be served on, delivered or made available to, any Shareholder by the Company either personally or by sending it by mail, postage prepaid (and, in any case where the registered address of a Shareholder is outside Hong Kong, by prepaid airmail), addressed to such Shareholder at his registered address or by leaving it at that address addressed to the Shareholder or by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating in Hong Kong.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in Hong Kong under the Old Companies Ordinance as a company with limited liability on 29 July 2013. Our Company has established a place of business in Hong Kong at Unit A, 10/F, Tontex Industrial Building, No. 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong.

As our Company is incorporated in Hong Kong, its operations are subject to the New Companies Ordinance and the Articles of Association. A summary of certain provisions of its Articles of Association are set out in Appendix III to this prospectus.

2. Changes in the share capital structure of our Company

(a) Our Company was incorporated in Hong Kong on 29 July 2013 with an authorised share capital of the Company of HK$10,000 divided into 10,000 shares of HK$1.00 each, one of which was allotted and issued to the sole subscriber Genius Idea.

(b) On 31 August 2013, our Company acquired the entire issued share capital of China Sourcing from Genius Idea, in consideration of HK$13,497,000, which was satisfied by the issue and allotment of 1 fully paid up Share to Genius Idea.

(c) Immediately following the completion of the Bonus Issue and Placing, the share capital structure of our Company will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid:		*HK$*	**Cumulative paid-up capital** *HK$*
2	Shares in issue	2	2
224,999,998	Shares to be issued under the Bonus Issue	—	2
75,000,000	Shares to be issued under the Placing		
	(a) at Placing Price of HK$0.50	37,500,000	37,500,002
	(b) at Placing Price of HK$0.70	52,500,000	52,500,002
300,000,000	Shares		

(d) Other than the Shares issuable pursuant to the exercise of any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in the paragraph headed "Further information about our Company and our subsidiaries — Resolutions in writing of the sole Shareholder, Genius Idea, passed on 30 June 2014" in this Appendix, our Directors at present have no intention to issue to any party any of the share capital of our Company, and without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

(e) Save as disclosed in this prospectus, there has been no alteration in the share capital structure of our Company since its incorporation.

3. Resolutions in writing of the sole Shareholder, Genius Idea, passed on 30 June 2014

Pursuant to the written resolutions passed by Genius Idea, the sole Shareholder of the Company on 30 June 2014, inter alia:

(a) conditional on the conditions as set out in the section headed "Structure and conditions of the Placing" of this prospectus:

(i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing;

(ii) conditional upon completion of the Placing, our Directors were authorised to issue and allot 224,999,998 Shares to Genius Idea without payment and credited as fully paid Shares;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in this Appendix, were approved and adopted and our Directors were authorised to approve any amendment to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange and at the absolute discretion of the Directors, grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of our Company or a specific authority granted by the Shareholders in general meeting, the aggregate number of Shares shall not exceed: (1) 20% of the aggregate number of issued Shares of our Company in issue immediately following completion of the Bonus Issue and the Placing (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (2) the aggregate number of the issued Shares of our Company which may be bought back under the Buy Back Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the articles of association of our Company or any other applicable laws; or

(3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(v) a general unconditional mandate (the "Buy Back Mandate") was given to our Directors to exercise all powers of our Company to buy back on the Stock Exchange or any other Stock Exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the regulations of such other stock exchange, such number of Shares as will represent up to a maximum number equivalent to 10% of the aggregate number of the issued Shares of our Company in issue immediately following the completion of the Bonus Issue and the Placing but without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, such mandate shall remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the articles of association of our Company or any other applicable laws; or

(3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(b) the new articles of association of our Company were approved and adopted.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing. Following the Reorganisation, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganisation and immediately upon completion of the Placing and Bonus Issue (assuming that no Share has been allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) is set out in the paragraph headed "Group structure" of the section headed "History, reorganisation and group structure" of this prospectus.

Details of the Reorganisation undertaken are as follows:

(i) On 29 July 2013, our Company was incorporated in Hong Kong and 1 share of HK$1.00 in its share capital was issued and allotted to Genius Idea for cash at par.

(ii) On 31 August 2013, Genius Idea transferred its 1 share in China Sourcing to our Company in consideration of HK$13,497,000 (rounded off to the nearest thousand) which was satisfied by the issue and allotment of 1 share in our Company to Genius Idea.

5. Changes in share capital of subsidiaries

There has been no change to our Hong Kong subsidiaries' share capital structure and non-Hong Kong subsidiaries' authorised share capital since their incorporation.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

6. Buy-back by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the buy-back by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to buy back their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed buy-backs of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the sole Shareholder, Genius Idea, on 30 June 2014, a general mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules or equivalent rules or regulations of such other stock exchange, of up to 10% of the aggregate number of the issued Shares of our Company in issue immediately following completion of the Bonus Issue and Placing but without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme. The general mandate will expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of our Company or any other applicable laws, or the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate, whichever occurs first.

(ii) Trading restrictions

A company is authorised to buy back on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the Buy Back Mandate. A company may not issue or announce an issue of new securities of the type that have been bought back for a period of 30 days immediately following a buy-back of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the buy-back) without the prior approval of the Stock Exchange. A company is also prohibited from making securities buy-back on the GEM if the result of the buy-backs would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not buy back its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the GEM.

(iii) Status of bought back securities

The listing of all bought back securities (whether on the GEM or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed.

(iv) Suspension of buy-back

Any securities buy-back programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report, a company may not buy back its securities on the GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit buy-backs of securities on the GEM if a company has breached the GEM Listing Rules.

(v) Reporting requirements

Buy-backs of securities on the GEM or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities buy-backs made during the financial year under review, showing the number of securities bought back each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such buy-backs and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vi) Connected parties

Under the GEM Listing Rules, a company shall not knowingly buy back shares from a connected person (as defined in the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company.

(b) Exercise of the Buy-Back Mandate

Exercise in full of the Buy Back Mandate, on the basis of 300,000,000 fully paid up Shares in issue immediately after Listing (assuming no options granted under the Share Option Scheme are exercised) could accordingly result in up to 30,000,000 Shares being bought back by our Company during the period prior to (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles; or (3) the revocation or variation or renewal of the Buy Back Mandate by ordinary resolution of the Shareholders in a general meeting, whichever occurs first.

Our Directors do not propose to exercise the Buy Back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this Prospectus in the event that the Buy Back Mandate is exercised in full.

(c) Reasons for buy-backs

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to buy back the Shares in the market. Buy-backs of Shares will only be made when our Directors believe that such a buy-back will benefit our Company and Shareholders. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) Funding of buy-backs

In buying back Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles of Association and the applicable laws and regulations of Hong Kong.

A listed company is prohibited from buying back its own securities on the GEM 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.

(e) General

No buy back of Shares has been made by our Company since its incorporation.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules) currently intends in the event that the Buy Back Mandate is approved by the Shareholders, to sell any of the Shares held by him to our Company pursuant to any exercise of the Buy Back Mandate.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy Back Mandate in accordance with the GEM Listing Rules, the articles of association of our Company and the applicable laws of Hong Kong.

No connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Buy Back Mandate is exercised.

If as a result of a buy-back of Shares, a shareholder's proportionate interest in the voting rights of our Company is increased pursuant to the Buy Back Mandate, such increase will be treated as an acquisition for the purpose of the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Code due to any buy-back made pursuant to the Buy Back Mandate immediately after the Listing.

Our Directors will not exercise the Buy Back Mandate if the buy-back would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) a share transfer agreement dated 31 August 2013 made between Genius Idea as seller and our Company as purchaser whereby Genius Idea transferred its 1 share in China Sourcing to our Company in consideration of HK$13,497,000 (rounded off to the nearest thousand) which was satisfied by the issue and allotment by the Company to Genius Idea of 1 share in our Company credited as fully paid up;

(b) a deed of indemnity dated 7 July 2014 executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries including but not limited to any director or employee, staff or representatives employed by the Group members), containing the indemnities more particularly referred to in the paragraph headed "Other information — Tax and other indemnities" in this Appendix;

(c) the Deed of Non-competition; and

(d) the Underwriting Agreement.

8. Intellectual property rights of our Group

(a) *Trademarks*

As at the Latest Practicable Date, our Group has registered the following series of trademarks:

Trademark	Place of registration	Trade mark number	Name of applicant	Class *(Note)*	Date of registration
	Hong Kong	302620179	Hotel Sourcing	20	28 May 2013

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks:

Trademark	Place of registration	Application number	Name of applicant	Class *(Note)*	Date of application
	Hong Kong	302882548	our Company	35	29 January 2014
	Singapore	T1403899I	Hotel Sourcing	20	13 March 2014

Note:

Class 20: Furniture, mirrors, picture frames, goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.

Class 35: Advertising, business management, business administration, office functions.

(b) *Domain names*

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Date of registration	Expiry date
katechina.hk	10 January 2014	10 January 2019
hsihk.com	26 September 2006	26 September 2014

Information contained in each of the above websites does not form part of this prospectus.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

9. Directors

(a) Disclosure of interests of Directors

So far as our Directors are aware, immediately following completion of the Bonus Issue and the Placing without taking into account the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

Long position in the Shares

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Chan	Our Company	Interest in a controlled corporation	225,000,000 Shares	75%

Note: These Shares are registered in the name of Genius Idea, the entire issued share capital of which is legally and beneficially owned as to 100% by Mr. Chan. Under the SFO, Mr. Chan is deemed to be interested in all the Shares registered in the name of Genius Idea. Lee Yuk Pui Kawina is the spouse and hence an associate of Mr. Chan under the SFO, and therefore is deemed to be interested in all the shares in which Mr. Chan is interested.

(b) Particulars of service contracts and letters of appointment

Each of Mr. Chan, Mr. Fok and Mr. Tsang being all the executive Directors, has entered into a service contract (and supplemental service contract as the case may be) with our Company for an initial fixed term of three years commencing from Listing Date until terminated by not less than three months' notice in writing served by either party on the other. Commencing from the Listing Date, each of our executive Directors is entitled to an initial annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company. In addition, for every 12 months' service with the Company, each of our executive Directors is entitled to such discretionary management bonus by reference to the overall operating results of the Company and the performance of the executive Director as our Board may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him. Commencing from the Listing Date, the initial annual salary of our executive Directors under their respective service contracts are as follows:

Name	Amount *HK$*
Mr. Chan	720,000
Mr. Fok	50,000
Mr. Tsang	50,000

Each of Prof. Lai Kin Keung, Mr. Lam Yiu Kin and Mr. Lu Tak Ming, being all our independent non-executive Directors, has entered into a letter of appointment with our Company on 30 June 2014. Each letter of appointment shall commence on the Listing Date and such term shall be governed by the Articles of Association of our Company and/or other relevant regulatory requirements unless terminated by either party giving at least three months' notice in writing unless terminated by rotation. Commencing from the Listing Date, Prof. Lai Kin Keung and Mr. Lu Tak Ming will be entitled to an annual director's fee of HK$75,000 and Mr. Lam Yiu Kin will be entitled to an annual director's fee of HK$100,000.

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

(i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;

(ii) non-cash benefits may be provided to our Directors under their remuneration package; and

(iii) our executive Directors may be granted, at the discretion of the Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately HK$1,791,000, HK$1,142,000 and HK$1,196,000 was paid or payable to our Directors as remuneration and benefits in kind by our Group for the three years ended 31 March 2012, 2013 and 2014 respectively. Further information in respect of our Directors' remuneration is set out in note 13 of the Accountants' Report set out in Appendix I to this prospectus.

An aggregate sum of approximately HK$757,916 will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 March 2015 under the arrangements in force at the date of this prospectus excluding management bonus.

10. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Placing and Bonus Issue and taking no account of any Shares which may be taken up under the Placing or any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity	Class and number of securities	Percentage of shareholding
Genius Idea *(Note 1)*	Interest in a controlled corporation	225,000,000 Shares	75%
Mr. Chan *(Note 1)*	Beneficial owner	225,000,000 Shares	75%
Lee Yuk Pui Kawina *(Note 2)*	Family interest	225,000,000 Shares	75%

Notes:

1. The Shares are owned by Genius Idea, a company wholly-owned by Mr. Chan.

2. Lee Yuk Pui Kawina is the spouse and hence an associate of Mr. Chan under the SFO, and therefore is deemed to be interested in all the Shares in which Mr. Chan is interested.

11. Related party transactions

Our Group entered into the related party transaction within the two years immediately preceding the date of this prospectus as mentioned in note 30 of the Accountants' Report set out in Appendix I to this prospectus.

12. Disclaimers

Save as disclosed in this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Placing or any Shares which may be allotted and issued upon the exercise of any options which have been or may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Placing and Bonus Issue will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

(b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;

(c) none of our Directors nor the experts named in the paragraph headed "Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and

(e) none of the experts named in the paragraph headed "Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

13. Share Option Scheme

A. Summary of terms of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in our Company, thus linking their interest with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group.

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the written resolutions of the sole Shareholder passed on 30 June 2014:

(a) Who may join

Our Board may, at its absolute discretion, offer to (i) employees of our Group (whether full-time or part-time); (ii) directors (including executive directors, non-executive directors and independent non-executive directors (where applicable)) of our Group; (iii) substantial shareholders of each member of the Group and (iv) associates of directors or substantial shareholders of our Group of which includes any of the abovementioned persons (together, the "Participants" and each, a "Participant") options to subscribe for such number of Shares as our Board may determine at a subscription price determined in accordance with sub-paragraph (c) below, and subject to the other terms of the Share Option Scheme summarised below.

Upon acceptance of the offer, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant within the period of twenty-one (21) days from the date of offer or within such other period of time as may be determined by our Board pursuant to the GEM Listing Rules and subject to the fulfillment of the conditions in the Share Option Scheme and provided that no such offer shall be open for acceptance after the expiry of such period or after the Share Option Scheme has been terminated in accordance with the terms of the Share Option Scheme.

(b) Grant of options to connected persons or any of their associates

Any grant of options to a Participant who is a Director, chief executive, or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the relevant grantee of the options).

Where our Board proposes to grant any option to a Participant who is a substantial shareholder (as defined in the GEM Listing Rules) of our Company or an independent non-executive Director, or any of his/her/its associates, and such option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and other share option schemes of our Company (including options exercised, cancelled and outstanding) to such Participant in the 12-month period up to and including the date of grant being proposed by the Board (the "Relevant Date"):

(i) representing in aggregate more than 0.1% of the total number of Shares in issue at the Relevant Date; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date and if the Relevant Date is not a Business Day, the Business Day immediately preceding the Relevant Date, in excess of HK$5,000,000.

Such proposed grant of options and any proposed change in the terms of options granted to a grantee who is a substantial Shareholder or an independent non-executive Director of our Company shall be approved by the Shareholders by way of a poll in general meeting and our Company shall send a circular to the Shareholder, containing all such information as may be required by the GEM Listing Rules. All the Participants concerned and all other connected persons of our Company must abstain from voting in favour of the resolution at such general meeting.

The abovementioned circular must contain the following information:

(a) details of the number and terms (including the subscription price) of the options to be granted to each Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;

(b) a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the relevant grantee of the options) to the independent Shareholders as to voting; and

(c) the information required under the GEM Listing Rules and the information as may be required by the Stock Exchange from time to time.

(c) Price for Shares

The subscription price for the Shares under the Share Option Scheme shall be determined by our Board in its absolute discretion and notified to a Participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer which must be a Business Day; and (ii) the average closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the five consecutive Business Days immediately preceding the date of offer (provided that the new issue price for the listing of the Shares shall be used as the closing price for any Business Day falling within the period before listing of the Shares if the Shares have been listed for less than five Business Days before the date of offer.

(d) Maximum number of Shares

(i) The total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of our Company must not in aggregate exceed 30,000,000 Shares, representing 10% (the "Scheme Mandate Limit") of the aggregate number of Shares in issue immediately upon completion of the Placing and the Bonus Issue, unless our Company obtains a fresh approval from its Shareholders pursuant to sub-paragraph (ii) below or the options are granted pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) Our Company may seek approval of its Shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of Shares in respect of which options may be granted by the directors of our Company under the Share Option Scheme and any other share option schemes of our Company shall not exceed 10% (the "Renewal Limit") of the aggregate number of issued Shares of our Company at the date of approval to renew such limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Renewal Limit. Our Company shall send a circular to Shareholders containing the information and disclaimer required under the GEM Listing Rules for the purpose of seeking the approval of its Shareholders for the Renewal Limit.

(iii) Our Company may authorise our Directors to grant options to specified Participant(s) beyond the Scheme Mandate Limit or Renewal Limit if the grant of such options is specifically approved by the Shareholders in general meeting. In such case, our Company shall send a circular to Shareholders in connection with the general meeting at which their approval will be sought containing a generic description of the specified Participants who may be granted such options, the number and terms of the option to be granted, the purpose of granting options to the specified Participants with an explanation as to how the terms of the options serve such purpose, the information and the disclaimer required under the GEM Listing Rules and such further information as may be required by the Stock Exchange from time to time.

(iv) Notwithstanding the above and subject to paragraph (i) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the total number of Shares in issue from time to time. No option shall be granted under the Share Option Scheme or any other share option schemes of our Company or its subsidiaries if this will result in the said 30% limit being exceeded.

(v) Subject to paragraph (vi) below, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of our Group to each Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of Shares in issue (the "Individual Limit").

(vi) Any further grant of options in excess of the Individual Limit shall be subject to the approval of the Shareholders in general meeting, at which such Participant and his associates must abstain from voting. A circular shall be sent to the Shareholders with disclosure of the identity of the Participant, the number and terms of the options to be granted (and any options previously granted to such Participant), and the information and the disclaimer required under the relevant provisions of the GEM Listing Rules. The number and terms (including the subscription price) of options to be granted to such Participant shall be fixed before the Shareholders' approval of our Company. The date of the Board meeting for proposing such further grant shall be taken as the date on which the option is offered for the purpose of calculating the subscription price.

(e) Time of and restrictions on exercise of option

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee provided that the period within which the Shares may be taken up under the option must not be more than ten (10) years from the date of offer of the option.

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

(f) Rights are personal to grantee

Options granted under the Share Option Scheme shall be personal to the grantee, which may not be sold, transferred, charged, mortgaged, encumbered, assigned or created any interest (whether legal or beneficial) by the grantee in favour of any third party over or in relation to any option or enter into any agreement to do so.

(g) Termination of employment

In the event that the grantee ceases to be a Participant for any reason (other than on his death) including the termination of employment or engagement with our Company or its subsidiaries on one or more of the grounds specified in paragraph (n)(v) below, the option granted to such grantee will lapse on the date of such cessation (to the extent not already exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the absolute discretion of the Board in which event the grantee may exercise the option within such period of extension and up to a maximum entitlement directed at the absolute discretion of the Board on the date of grant of extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be a Participant or the relevant option period, whichever is earlier.

(h) Rights on cessation of employment by death

If the grantee of an option who is an individual dies before exercising the option in full and none of the event sets out in paragraph (n)(v) below arises, the personal representative(s) of the grantee shall be entitled to exercise the option up to the entitlement of the grantee as at the date of death (to the extent they have become exercisable and not already exercised) within a period of 12 months from the date of death (provided that such exercise is during the relevant option period) or such longer period as the Board may at its absolute discretion determine.

(i) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company in any one or more ways permitted by the Statutes whilst any option remains exercisable (excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party), or in the event of any distribution of our Company's capital assets to its Shareholders on a pro rata basis (whether in cash or in specie) other than dividend paid out of the net profit attributable to its Shareholders for each financial year of our Company, such corresponding alterations (if any) shall be made to the number of Shares subject to the option so far as unexercised or the subscription price for the Shares subject to the option so far as unexercised, or any combination thereof, as an independent financial adviser appointed by our Company or the auditors of our Company for the time being shall certify in writing to the Directors, either generally or as regards any particular grantee, to be in their opinion fair and reasonable provided that any such alterations shall give a grantee the same proportion of the issued Shares of our Company to which he was previously entitled. The capacity of the independent financial adviser or the auditors in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final, conclusive and binding on our Company and the grantees. The costs of the independent financial adviser or the auditors shall be borne by our Company. Notice of such alteration(s) (if any) shall be given to the grantees by our Company.

(j) Rights on a take-over or share buy-back

If a general or partial offer, whether by way of take-over or share buy-back offer, is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (within the meaning of the Codes on Takeovers and Mergers and Share Buy-Backs) with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant option period, the grantee (or his personal representative(s)) shall be entitled to exercise the option in full (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(k) Rights on winding up by court order

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith after it despatches such notice to each member of our Company give notice thereof to all the Grantees and thereupon, each Grantee (or his respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company, accompanied by the remittance for the full amount of the Subscription Price in respect of the relevant option (such notice to be received by our Company not later than two Business Days prior to the proposed general meeting of our Company) exercise the option (to the extent which has become exercisable and not already exercised) whether in full or in part and our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares.

(l) Rights on compromise or arrangement

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all grantees (or to their personal representatives) on the same day as it dispatches the notice which is sent to each member or creditor of our Company summoning a meeting to consider such a compromise or arrangement, and thereupon each grantee (or his personal representative(s)) may, by notice in writing to our Company accompanied by the remittance for the full amount of the subscription price for the Shares in respect of the relevant option (such notice to be received by our Company not later than two Business Days prior to the proposed meeting), exercise any of his options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares.

Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(m) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue (the "Exercise Date") and accordingly will entitle the holders of the Shares to participate in all dividends or other distributions declared paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. Shares allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

(n) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of the periods referred to in paragraph (g), (h) or (l), where applicable;

(iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (j);

(iv) subject to the expiry of the period of extension (if any) referred to in paragraph (g), the date on which the grantee ceases to be a Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (n)(v) below. A transfer of employment from one company in our Group to another company in our Group shall not be considered as a cessation of employment;

(v) the date on which the grantee ceases to be a Participant by reason of the termination of his employment on the grounds that he has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence or (if so determined by the Board, the board of the relevant Subsidiary or the board of the relevant associated company of our Company, as the case may be) on any other ground on which an employer would be entitled to summarily terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company, the relevant Subsidiary or the relevant associated company of our Company (as the case may be). A resolution of the Board, the board of the relevant Subsidiary or the board of the relevant associated company of our Company (as the case may be) to the effect that the employment or engagement of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (n)(v) shall be conclusive and binding on the grantee;

(vi) the date of the commencement of the winding-up of our Company referred to in paragraph (k);

(vii) the date on which the grantee commits a breach of paragraph (f); or

(viii) the date on which the option is cancelled by the Board as set out in paragraph (s).

(o) Period of the Share Option Scheme

Subject to the fulfillment of the conditions in accordance to the terms of the Share Option Scheme and the termination provisions in paragraph (r) below, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from 30 June 2014, after which period no further options will be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(p) *Inside information*

A grant of options shall not be made after a development in relation to inside information has occurred or a matter in relation to inside information has been the subject of a decision of our Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, no such option may be granted 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 our Company's results for any year, half-year, quarterly (if applicable), or any other interim period (whether or not required under the GEM Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly (if applicable) or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement. Such period shall cover any period of delay in the publication of a results announcement.

(q) *Alterations to the Share Option Scheme and the terms of options granted under the Share Option Scheme*

(i) The terms and conditions of the Share Option Scheme may be altered in any respect by resolution of the Board from time to time except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules or such other applicable rule(s) of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or Participants except with the prior approval of the Shareholders in general meeting, with grantees and their associates abstaining from voting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares;

(ii) Any alterations of the terms and conditions of the Share Option Scheme, which are of a material nature or to the terms of options granted, shall be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;

(iii) The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 23 or such other applicable chapter(s) of the GEM Listing Rules;

(iv) Any change to the authority of our Directors or scheme administrators, if any, in relation to any alteration to the terms of the Scheme must be approved by the Shareholders at a general meeting.

(r) Termination of Share Option Scheme

Our Company by ordinary resolution at a general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination but not exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(s) Cancellation of Options

Our Board may, with the consent of the relevant grantee and such consent shall not be unreasonably withheld, at any time cancel any option granted but not exercised. Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (d) above.

B. Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted under the Share Option Scheme. Application has been made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options under the Share Option Scheme.

E. OTHER INFORMATION

14. Tax and other indemnities

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in Hong Kong, Singapore and other jurisdictions in which the companies comprising our Group are incorporated.

2. Estate Duty and Tax Indemnity

Each of the Controlling Shareholders (collectively the "Indemnifiers") has entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our subsidiaries including but not limited to any director or employee, staff or representatives employed by the Group members). Each of the Indemnifiers has given joint and several indemnities in respect of, among other things, (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended from time to time)) to any member of our Group on or before the Listing Date, and (b) any tax liability which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date.

The Indemnifiers, however, will not be liable under the deed of indemnity for taxation and other liabilities where, among others, provision has been made for such taxation and other liabilities in the audited accounts of our Group for the three years ended 31 March 2012, 2013 and 2014 as set out in the Accountant's Report in Appendix I to this prospectus and provision, reserve or allowance for which will be made in the audited accounts of our Company and the subsidiaries covering the period from 31 March 2014 to the Listing Date on a basis consistent with that made in the said audited accounts.

15. Litigation

Neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

16. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Placing Shares and any Shares which may fall to be allotted and issued pursuant to Bonus Issue and the Placing and the exercise of any options which may be granted under the Share Option Scheme.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed the Sponsor as its compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are HK$3,250 and are payable by our Company.

19. Promoter

Our Company has no promoter.

20. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Altus Capital	A corporation licensed to carry out types 4, 6 and 9 (advising on securities, corporate finance and asset management) regulated activities under the SFO
David Lo & Partners	Legal advisers to our Company as to Hong Kong law
SHINEWING (HK) CPA Limited	Certified public accountants
SHINEWING Risk Services Limited	Internal control adviser
Derrick Wong & Lim BC LLP	Legal advisers as to Singapore law
Amin, Wern Li & Associates	Legal advisers as to Malaysia law

21. Consents of experts

Each of Altus Capital, David Lo & Partners, SHINEWING (HK) CPA Limited, SHINEWING Risk Services Limited, Derrick Wong & Lim BC LLP and Amin, Wern Li & Associates has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, opinions or summaries of opinions (as the case may be), the references to their names included in this prospectus and the form and context in which they respectively appear.

22. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Miscellaneous Provisions) Ordinance so far as applicable.

23. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:

(i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.

(b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(d) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2014 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

(f) None of Altus Capital, David Lo & Partners, SHINEWING (HK) CPA Limited, SHINEWING Risk Services Limited, Derrick Wong & Lim BC LLP and Amin, Wern Li & Associates:

 (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

 (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(h) Our Company has no outstanding convertible debt securities.

(i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

24. Bilingual prospectus

Pursuant to Rule 14.25 of the GEM Listing Rules and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time as each place where this prospectus is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed "Consents of experts" in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of David Lo & Partners, Suite 2101, Nine Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report of our Group prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Company and our subsidiaries for each of the three years ended 30 March 2012, 2013 and 2014;

(d) the letter on unaudited pro forma financial information of our Group issued by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;

(e) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix IV to this prospectus;

(f) the service contracts and the letters of appointment referred to in the paragraph headed "Particulars of service contracts and the letters of appointment" in Appendix IV to this prospectus;

(g) the rules of the Share Option Scheme referred in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus;

(h) the written consents referred to in the paragraph headed "Consents of experts" in Appendix IV to this prospectus;

(i) the legal opinion issued by David Lo & Partners, our legal adviser as to Hong Kong law, in respect of certain aspect of our Group;

(j) the legal opinion issued by Derrick Wong & Lim BC LLP, our legal adviser as to Singapore law, in respect of certain aspect of our Group;

(k) the legal opinion issued by Amin, Wern Li & Associates, our legal adviser as to Malaysia law, in respect of certain aspect of our Group; and

(l) the internal control report prepared by the Internal Control Adviser in respect of the review of the adequacy of the remedial actions taken to prevent recurrence of similar non-compliance incidents set out in the paragraph headed "17. Legal compliance" under the section headed "Business" of this prospectus.