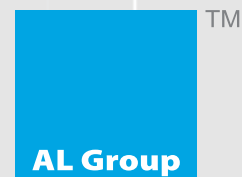


# AL GROUP LIMITED 利駿集團(香港)有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 8360



## SHARE OFFER

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



# IMPORTANT

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



## AL GROUP LIMITED 利駿集團(香港)有限公司 (Incorporated in the Cayman Islands with limited liability)

### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

|                               |                                                                                                                                                                                                                                                                                  |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of Offer Shares        | : 120,000,000 Shares                                                                                                                                                                                                                                                             |
| Number of Public Offer Shares | : 12,000,000 Shares (subject to reallocation)                                                                                                                                                                                                                                    |
| Number of Placing Shares      | : 108,000,000 Shares (subject to reallocation)                                                                                                                                                                                                                                   |
| Offer Price                   | : Not more than HK\$0.64 per Offer Share<br>(payable in full in Hong Kong dollars on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund) and expected to be not less than HK\$0.52 per Offer Share |
| Nominal Value                 | : HK\$0.01 per Share                                                                                                                                                                                                                                                             |
| Stock Code                    | : 8360                                                                                                                                                                                                                                                                           |

#### Sole Sponsor



建泉融資有限公司  
VBG Capital Limited

#### Joint Bookrunners and Joint Lead Managers



太平基業證券有限公司  
Pacific Foundation Securities Limited



建泉融資有限公司  
VBG Capital Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Joint Bookrunners on the Price Determination Date, which is scheduled on or about Wednesday, 6 July 2016, or such later date as may be agreed between our Company and the Joint Bookrunners. The Offer Price will be not more than HK\$0.64 per Offer Share and is currently expected to be not less than HK\$0.52 per Offer Share unless otherwise announced. The Joint Bookrunners may, with our consent, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.AL-Grp.com](http://www.AL-Grp.com).

If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners on or before Wednesday, 6 July 2016 (or such other time as our Company and the Joint Bookrunners may agree), the Share Offer will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States of America and may not be offered, sold, pledged, or transferred within the United States of America, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

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

Prospective investors of the Share Offer should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by Pacific Foundation Securities Limited (for itself and on behalf of the Public Offer Underwriters) upon occurrence of any of the events set forth in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should Pacific Foundation Securities Limited (for itself and on behalf of the Public Offer Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

29 June 2016

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange.

Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement and Gazette newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.

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## EXPECTED TIMETABLE

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If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be posted on the website of our Company at [www.AL-Grp.com](http://www.AL-Grp.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Latest time for completing electronic applications under the **HK eIPO White Form** service through the designated website [www.hkeipo.hk](http://www.hkeipo.hk) (Note 2) ..... 11:30 a.m. on Tuesday, 5 July 2016

Application lists of the Public Offer open (Note 3) ..... 11:45 a.m. on Tuesday, 5 July 2016

Latest time for lodging **WHITE** and **YELLOW** Application Forms and to give electronic application instructions to HKSCC (Note 4) ..... 12:00 noon on Tuesday, 5 July 2016

Latest time to complete payments for **HK eIPO White Form** applications by effecting internet banking transfer or PPS payment transfer(s) ..... 12:00 noon on Tuesday, 5 July 2016

Application lists of the Public Offer close (Note 3) ..... 12:00 noon on Tuesday, 5 July 2016

Expected Price Determination Date (Note 5) ..... Wednesday, 6 July 2016

Announcement of (i) the Offer Price; (ii) the indication of the level of interest in the Placing; (iii) the level of applications in the Public Offer; (iv) the basis of allotment of the Public Offer Shares under the Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published on the website of our Company at [www.AL-Grp.com](http://www.AL-Grp.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) ..... Monday, 11 July 2016

Results of allocation in the Public Offer will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID Number/Business Registration Number” function from ..... Monday, 11 July 2016

Announcement of results of allotment of the Public Offer (with successful applicants’ identification document numbers, where applicable) available through a variety of channels as described in the paragraph headed “How to Apply for the Public Offer Shares — 11. Publication of Results” in this prospectus from ..... Monday, 11 July 2016

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## EXPECTED TIMETABLE

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Despatch/collection of share certificates and/or

**HK eIPO White Form** e-Auto Refund payment

instructions/refunds cheques on or before (*Notes 6,7*)..... Monday, 11 July 2016

Dealings in the Shares on GEM to commence on..... 9:00 a.m. on Tuesday, 12 July 2016

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 July 2016, the application lists will not open or close on that day. Further information is set forth in the paragraph headed “How to Apply for the Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed “How to Apply for the Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
5. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 6 July 2016. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters), the Share Offer will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.64 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.64 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to Apply for the Public Offer Shares” in this prospectus.
6. Share certificates for the Offer Shares are expected to be issued on Monday, 11 July 2016 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 12 July 2016 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
7. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website ([www.hkeipo.hk](http://www.hkeipo.hk)) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. 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. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are an interior design and fit out solutions provider with the fit out works performed by our designated subcontractors based in Hong Kong. We believe that our success is firmly rooted in our extensive experience and portfolio in interior design and fit out works as well as project management in Hong Kong. Our services can be broadly categorised as (i) design and fit out and (ii) design only. In most cases, our designated subcontractors will also be responsible for supply or procure to supply certain fit out materials to be used in the fit out works.

For the years ended 31 December 2014 and 2015, our Group’s revenue amounted to approximately HK\$51.2 million and HK\$84.5 million respectively. During the Track Record Period, our Group’s revenue was principally generated from the provision of interior design and fit out management services in Hong Kong. In terms of number of projects, for the years ended 31 December 2014 and 2015, excluding those relating to maintenance and aftersales services, we had a total of 37 and 49 completed projects respectively. As at 31 December 2015, there were three ongoing projects and one project awarded in December 2015 with work commencing in 2016 (excluding those relating to maintenance and aftersales services). After 31 December 2015 and up to the Latest Practicable Date, our Company entered into 12 new projects (excluding those relating to maintenance and aftersales services). Among the 16 projects mentioned above, as at the Latest Practicable Date, eight projects were completed, four projects were still ongoing and four projects with work not having commenced.

### BUSINESS

#### Our services

Since establishment in 1999, we have focused on and specialised in the office segment in Hong Kong. We envisage that our business will continue to grow by (i) further strengthening our office segment through marketing and recruiting high caliber talents; (ii) expanding our business to include home and office furniture; and (iii) pursuing further expansion in the commercial and residential segments.

## SUMMARY

The following table sets forth a breakdown of our revenue and the percentage contribution to our total revenue by customer type with classification by business segment for the years ended 31 December 2014 and 2015:

|                                            | For the year ended 31 December |                     |                      |                     |
|--------------------------------------------|--------------------------------|---------------------|----------------------|---------------------|
|                                            | 2014                           | %                   | 2015                 | %                   |
|                                            | HK\$'000                       |                     | HK\$'000             |                     |
| <b>Design and fit out/design only</b>      |                                |                     |                      |                     |
| (Note 1)                                   |                                |                     |                      |                     |
| Corporate (Note 2)                         |                                |                     |                      |                     |
| — Office                                   | 41,757                         | 81.6                | 56,257               | 66.6                |
| — Commercial                               | —                              | —                   | 18,180               | 21.5                |
| Private (Note 3)                           |                                |                     |                      |                     |
| — Residential                              | 6,380                          | 12.5                | 6,734                | 8.0                 |
| <b>Maintenance and aftersales services</b> |                                |                     |                      |                     |
|                                            | <u>3,021</u>                   | <u>5.9</u>          | <u>3,341</u>         | <u>3.9</u>          |
| <b>Total</b>                               | <u><u>51,158</u></u>           | <u><u>100.0</u></u> | <u><u>84,512</u></u> | <u><u>100.0</u></u> |

Notes:

- (1) Revenue from design-only projects amounted to approximately HK\$0.4 million and HK\$4.1 million for the years ended 31 December 2014 and 31 December 2015 respectively. As these amounts contributed only an insignificant proportion to the total revenue for the respective years, no breakdowns between design and fit out and design only are shown.
- (2) Corporate projects mainly include projects engaged by our corporate clients for corporate use.
- (3) Private projects mainly include high-value residential projects engaged directly by our individual customers or through designated corporate entities for private use.

Each of our founders and our executive Directors, Mr. Yau and Ms. Sz, has more than 20 years of experience in interior design and project management. We believe that we have been able to maintain our competitive edge amongst other market players over the past years due to the knowledge, experience and connections that both Mr. Yau and Ms. Sz have built over the last 20 years in the industry. During the Track Record Period, a significant proportion of projects, in terms of revenue, awarded to us had been given by our recurring customers, being those customers who have engaged us for contract work in prior years and re-engage us again for other contract work during the Track Record Period. We had 14 recurring customers (excluding those relating to maintenance and aftersales services) in each year of the Track Record Period, who together contributed approximately 40% and 30% of our Group's revenue for the years ended 31 December 2014 and 2015 respectively. We believe having customer loyalty is crucial to our business.

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## SUMMARY

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According to Euromonitor Report, the office interior design services market in Hong Kong is highly fragmented and competitive and due to the lack of useful information to determine the revenues of the top five interior design companies in Hong Kong within the office interior design segment, the ranking and market shares are not available.

### **Customers**

During the Track Record Period, we provided our services to our customers on a project-basis, which can be broadly classified as corporate projects and private projects. We do not have any long-term contracts with our customers and our contracts are entered into on a project-by-project basis. During the Track Record Period, we derived 100% of our revenue from customers located in Hong Kong, approximately 36.5% of whom have a relationship with us for over five years. Most projects during the Track Record Period were located in Hong Kong except for three of our customers who are located in Hong Kong but engaged us to provide design works or design works and materials sourcing in relation to the sites located in the PRC and Taiwan.

For the years ended 31 December 2014 and 2015, our Group's five largest customers by contracting party accounted for approximately 36.6% and 45.0% of our total revenue respectively, with the largest customer by contracting party accounting for approximately 9.2% and 18.2% of our total revenue respectively. We have included the background information on our five largest customers during the Track Record Period in the paragraph headed "Business — Customers — Background information on our customers" in this prospectus.

None of our Directors or their close associates or any Shareholder holding 5% or more of the issued share capital of our Company had any interest in any of the five largest customers during the Track Record Period. All of our five largest customers during the Track Record Period are Independent Third Parties.

### **Suppliers**

Our suppliers are broadly categorised into (i) materials suppliers and (ii) subcontractors. Our largest supplier accounted for approximately 12.6% and 13.0% of our subcontracting and materials costs for the years ended 31 December 2014 and 2015 respectively. Our top five largest suppliers accounted for approximately 32.0% and 31.0% of our subcontracting and materials costs for the years ended 31 December 2014 and 2015 respectively, and are all located in Hong Kong.

### ***Materials suppliers***

We source certain fit out materials directly from our materials suppliers. The types of fit out materials which we purchase typically include lightings, carpets, tiles, wallpapers, ironmongery and fabrics. We do not enter into any long-term supply agreement with our materials suppliers and purchases of fit out materials are only made as and when required. Since our early establishment, we have built up a list of materials suppliers that we have worked and maintained a good relationship with. We do not rely on any one particular materials supplier as each and every design may be different and require different sort of fit out materials to suit our needs. Our Directors

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## SUMMARY

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believe that we do not depend on any of our materials suppliers as we have a number of alternative materials suppliers for all major fit out materials. We normally do not enter into any formal agreements for the purchase of fit out materials.

During the Track Record Period, all of our materials suppliers are Independent Third Parties. As at the Latest Practicable Date, we had 14 approved materials suppliers for the provision of fit out materials, many of whom have a relationship with us for over eight years. Materials suppliers who would like to be included in our suppliers list are required to complete and return our prescribed application form for registration together with a copy of their business registration certificate and job reference list. To become our approved materials suppliers, we will take the following criteria into consideration: (i) their ability and willingness to make timely delivery of goods and services of the required quality; (ii) reasonableness of the price and credit terms; and (iii) necessary license for certain area of work. In addition, for any new materials suppliers, we will engage them for small orders as a way to pre-assess whether their materials comply with our specific project requirements.

### ***Subcontractors***

Most of our subcontracted works are 3D drawing drafting works, carpentry works, marble works, production and installation of furniture, partitioning works, ceiling works, glassware works, electrical works, plumbing and drainage works, steel works, waste disposal works and masonry work. Our Directors believe that by adopting our subcontracting business model, we are able to maintain a low fixed cost in overhead and more effectively manage our projects by relying on others' established expertise and skill set when and as required. Whilst we offer fit out management services to our customers, our employees are not directly engaged in the provision of any on-site implementation services and such works are outsourced to nominated contractors which will be selected by our customers or subcontractors selected from our approved list of subcontractors or building management's nominated subcontractors. In the event that the fit out subcontractors are selected by our Group, they will also be responsible for supply or procure for supply certain fit out materials to be used in the fit out works. In most cases, the fees quoted by our fit out subcontractors are inclusive of materials and services. To the best knowledge of our Directors, this manner of quotation is a common practice in the interior design and fit out industry. For certain fit out materials, we will utilise our network in sourcing and procuring the fit out materials to be purchased and delivered to the project site for our fit out subcontractors' handling.

During the Track Record Period, all of our subcontractors are Independent Third Parties. As at the Latest Practicable Date, we had 66 approved subcontractors from which we may choose to carry out various types of drafting and fit out works. Many of our subcontractors that we have on our approved list of subcontractors have worked with us for over eight years and have established a solid and good working relationship with us and this helps facilitate communication with the subcontractors to ensure quality and timely performance of their works.

Our Company has also adopted internal control measures to ensure the quality of our subcontractors. Subcontractors who would like to be included in our approved list of subcontractors are required to complete and return our prescribed application form for registration. To become our

## SUMMARY

approved subcontractors, we will take the following criteria into consideration: (i) their ability and willingness to make timely delivery of goods and services of required quality; (ii) reasonableness of the price and credit terms; and (iii) capacity and capabilities including but not limited to possession of necessary licenses, permits or certificates and compliance with all applicable laws, regulations and other requirements in carrying out fit out works. We regularly evaluate the performance of our subcontractors and our approved list of subcontractors will be reviewed and updated regularly. For any new subcontractors, we will engage them for small works as a way to pre-assess whether their services can comply with our specific project requirements. Our customers may also choose to select their nominated contractors or building management may choose to select its nominated subcontractors, in both cases the subcontractors will be directly engaged by our customers.

### *Projects in progress*

The following table sets out details of our projects which were on-going as at 31 December 2015 and entered into during the period after 31 December 2015 and up to the Latest Practicable Date, excluding those relating to maintenance and aftersales services:

| Name of project    | Type of project                  | Contract sum  | Actual revenue                    | Outstanding contract                                         | Approximate % of actual revenue recognised out of total contract sum |
|--------------------|----------------------------------|---------------|-----------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------|
|                    |                                  |               | recognised up to 31 December 2015 | sum as at 31 December 2015 expected to be recognised in 2016 |                                                                      |
|                    |                                  | HK\$'000      | HK\$'000                          | HK\$'000                                                     |                                                                      |
| Project A          | Design and fit out — Office      | 498           | 448                               | 50                                                           | 90.0%                                                                |
| Project B          | Design and fit out — Office      | 9,067         | 5,926                             | 3,141                                                        | 65.4%                                                                |
| Project C          | Design and fit out — Residential | 4,391         | 720                               | 3,671                                                        | 16.4%                                                                |
| Project D (Note 1) | Design and fit out — Office      | 604           | —                                 | 604                                                          | 0%                                                                   |
| Project E          | Design and fit out — Office      | 1,451         | —                                 | 1,451                                                        | 0%                                                                   |
| Project F          | Design and fit out — Office      | 2,770         | —                                 | 2,770                                                        | 0%                                                                   |
| Project G          | Design and fit out — Office      | 380           | —                                 | 380                                                          | 0%                                                                   |
| Project H          | Design and fit out — Commercial  | 5,548         | —                                 | 5,548                                                        | 0%                                                                   |
| Project I          | Design and fit out — Residential | 3,000         | —                                 | 3,000                                                        | 0%                                                                   |
| Project J          | Design and fit out — Office      | 11,789        | —                                 | 11,789                                                       | 0%                                                                   |
| Project K          | Design and fit out — Office      | 1,178         | —                                 | 1,178                                                        | 0%                                                                   |
| Project L          | Design and fit out — Office      | 3,500         | —                                 | 3,500                                                        | 0%                                                                   |
| Project M (Note 2) | Design and fit out — Residential | 11,854        | —                                 | 11,854                                                       | 0%                                                                   |
| Project N (Note 2) | Design and fit out — Office      | 1,743         | —                                 | 1,743                                                        | 0%                                                                   |
| Project O (Note 2) | Design and fit out — Commercial  | 3,490         | —                                 | 3,490                                                        | 0%                                                                   |
| Project P (Note 2) | Design and fit out — Office      | 3,628         | —                                 | 3,628                                                        | 0%                                                                   |
| Total              |                                  | <u>64,891</u> | <u>7,094</u>                      | <u>57,797</u>                                                |                                                                      |

Notes:

- (1) Project that was awarded in 2015 but work only commenced in 2016.
- (2) Projects that were awarded in 2016 but work had not yet commenced as at the Latest Practicable Date.

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## SUMMARY

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### PRICING

Pricing of our projects is based on our estimated time and costs. When determining the appropriate prices of our projects, we take into account our customers' acceptable range of service price based on our past dealings with the customer and a number of other factors such as the scale, complexity and specification of the project, our capacity, project duration, the estimated project cost (which mainly includes the subcontracting and material costs) based on fee quotes provided by our materials suppliers and subcontractors periodically, historical fee we received for similar project, the current fee level in the market and the competitive conditions. In certain cases, we offer discounts to our recurring or reputable corporate customers (being, for example, chained local or international retail brands), generally not more than 10% of the total contract sum. Our direct margin, defined as revenue less subcontracting and material costs, for the years ended 31 December 2014 and 2015 amounted to approximately 30.7% and 34.3% respectively.

### SALES AND MARKETING

We adopt direct marketing strategies. Most of our customers are either recurring customers or customers which are referred by our existing or previous customers. We believe the maintenance and aftersales services provided to our customers form the crux to achieving customer loyalty and retention. Customer loyalty strengthens our corporate and brand image and the associated benefits help our business to scale to greater heights. We also conduct calls to solicit business from potential customers who have no prior contact with us. Since establishment in 1999, we have primarily focused on and specialised in the office segment in Hong Kong. We have ongoing relationship with certain renowned professional services and investment management companies whereby they will engage us or refer projects to us.

### COMPETITIVE STRENGTHS

We believe that our competitive strengths will enable us to maintain our position as one of the active interior design and fit out solutions providers with the fit out works performed by our designated subcontractors based in Hong Kong. Our Directors consider that we possess the following competitive strengths:

- We have a long operational history and well-established reputation in office segment in the interior design and fit out industry
- We have close and stable customer relationships with our customers that mainly include private companies and associated companies of listed companies
- We have strong and stable relationships with our quality materials suppliers and subcontractors
- We have an experienced and professional management team and provide our employees with quality training

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## SUMMARY

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### BUSINESS STRATEGIES

We aim to strengthen our position as an interior design and fit out solutions provider with the fit out works performed by our designated subcontractors. To achieve this, we intend to focus on the business strategies as set out below:

- We plan to recruit high caliber talents in areas such as management, design, project management, finance and sales and marketing so as to raise our standard and quality of services. We also plan to enhance company strength, including information system and design software to further expand our Group's capacity on providing better design services and improve efficiency and accuracy on our financial analysis and cost control. This will include the purchase of accounting system to improve our financial analysis and up-to-date design software to enhance our design quality and capability
- We plan to develop a new line of business and selectively pursue business collaboration and/or acquisition of companies by expanding our core business to include designing and producing movable furniture which includes both home and office furniture
- We plan to expand our market coverage by expanding or relocating our office in Hong Kong and establishing a representative office in Shanghai
- We plan to capture larger design and fit out projects in Hong Kong and increase our market share in the interior design industry
- We will continue to develop and enhance our market position by increasing the effectiveness of marketing and brand recognition by broadening our customer base through attracting new customers and retaining existing customers. We intend to increase the effectiveness of marketing by (i) implementing various marketing and advertising campaign to promote our Company; and (ii) promotion through designing and preparing company brochures and marketing materials to enhance our corporate image

### MAJOR RISK FACTORS

We believe that there are certain risks involved in our operations, some of which are beyond our control. More details of the risks which we are exposed to are set out in the section headed "Risk Factors" in this prospectus. The following highlights some of the risks which are considered to be material by our Directors:

- Failure to obtain new contracts could materially affect our financial performance
- We rely on our management team in operating our business
- We rely on our ability to successfully meet customers' and end users' preference by delivering our interior design solutions in a timely manner
- We rely on the performance of our project management staff

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## SUMMARY

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- We rely on our suppliers, which are broadly categorised into materials suppliers and subcontractors, to complete certain projects and are subject to risk arising from the non-compliance, late performance or poor performance by such suppliers. Also, there is no assurance that these suppliers will be able to continue to provide services to us at fees acceptable to us

These risks are not the only significant risks that may affect the value of the Shares. You should carefully consider all of the information set forth in this prospectus, in particular, should evaluate the specific risks set forth in the section headed “Risk Factors” in this prospectus in deciding whether or not to invest in the Shares.

### SUMMARY OF FINANCIAL PERFORMANCE

The below summary of combined financial information for the years ended 31 December 2014 and 2015 should be read together with the audited combined financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in the section headed “Financial Information” in this prospectus. Our combined financial information was prepared in accordance with HKFRSs.

#### Summary of combined statements of comprehensive income

|                                                                               | For the year ended 31 December |          |
|-------------------------------------------------------------------------------|--------------------------------|----------|
|                                                                               | 2014                           | 2015     |
|                                                                               | HK\$'000                       | HK\$'000 |
| Revenue                                                                       | 51,158                         | 84,512   |
| Operating profit                                                              | 7,031                          | 18,172   |
| Profit for the year attributable to owners of our Company                     | 5,907                          | 15,294   |
| Total comprehensive income for the year attributable to owners of our Company | 5,907                          | 15,294   |

#### Summary of combined balance sheets

|                           | As at 31 December |          |
|---------------------------|-------------------|----------|
|                           | 2014              | 2015     |
|                           | HK\$'000          | HK\$'000 |
| Total non-current assets  | 1,626             | 1,389    |
| Total current assets      | 27,517            | 39,757   |
| Total current liabilities | 21,384            | 23,592   |
| Net equity                | 7,759             | 17,553   |

## SUMMARY

### Summary of combined statements of cash flows

|                                                        | For the year ended 31 December |          |
|--------------------------------------------------------|--------------------------------|----------|
|                                                        | 2014                           | 2015     |
|                                                        | HK\$'000                       | HK\$'000 |
| Operating profit before working capital changes        | 7,275                          | 18,430   |
| Net cash generated from operating activities           | 6,915                          | 2,391    |
| Net cash (used in)/generated from investing activities | (3,672)                        | 3,607    |
| Net cash (used in) financing activities                | (5,717)                        | (3,295)  |
| Net (decrease)/increase in cash and cash equivalents   | (2,474)                        | 2,703    |
| Cash and cash equivalents at the beginning of year     | 12,466                         | 9,992    |
| Cash and cash equivalents at the end of year           | 9,992                          | 12,695   |

### Key financial ratios

|                                        | For the year ended 31 December |      |
|----------------------------------------|--------------------------------|------|
|                                        | 2014                           | 2015 |
| Direct margin <sup>(1)</sup>           | 31%                            | 34%  |
| Net profit margin <sup>(2)</sup>       | 12%                            | 18%  |
| Operating profit margin <sup>(3)</sup> | 14%                            | 22%  |
| Current ratio <sup>(4)</sup>           | 1.29                           | 1.69 |
| Quick ratio <sup>(5)</sup>             | 1.29                           | 1.69 |
| Gearing ratio <sup>(6)</sup>           | N/A                            | N/A  |
| Debt to equity ratio <sup>(7)</sup>    | N/A                            | N/A  |
| Return on total assets <sup>(8)</sup>  | 20%                            | 37%  |
| Return on total equity <sup>(9)</sup>  | 76%                            | 87%  |

#### Notes:

1. Direct margin equals to revenue less subcontracting and materials costs, then divided by revenue for the year multiplied by 100%.
2. Net profit margin equals to profit attributable to owners of our Company divided by revenue for the year multiplied by 100%.
3. Operating profit margin equals to operating profit divided by revenue for the year multiplied by 100%.
4. Current ratio equals to total current assets divided by total current liabilities as at the end of reporting period.
5. Quick ratio equals to total current assets less inventories divided by total current liabilities as at the end of reporting period (our Group did not have any inventories as at 31 December 2014 and 31 December 2015).
6. Gearing ratio equals to interest-bearing liabilities divided by total equity as at the end of reporting period.
7. Debt to equity equals to net debt (all borrowings net of casts and cash equivalents) divided by total equity as at the end of reporting period.
8. Return on total assets equals profit attributable to owners of our Company for the year divided by the closing balance of total assets multiplied by 100%.
9. Return on total equity equals profit attributable to owners of our Company for the year divided by the closing balance of total equity multiplied by 100%.

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## SUMMARY

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The cost structure of our design and fit out business is characterised by the subcontracting and material costs incurred in each project, which is mainly factored by the size of the project location and type of project and contributed about 70% of our revenue on average. The direct margin, calculated as revenue less subcontracting and material costs, represented a key indicator of our financial performance. The direct margin increased from approximately 31% for the year ended 31 December 2014 to approximately 34% for the year ended 31 December 2015 mainly due to the combined effect of the followings:

- (i) high direct margin of our commercial projects in 2015 of approximately 48.9% attributable to the premium charged for the unique and innovative designs required in commercial premises and the design-only projects which earned a 100% direct margin, whereas there was no commercial project in 2014;
- (ii) increased direct margin of our residential projects in 2015 of approximately 38.5% (2014: 18.4%) mainly due to the fact that in 2015, there were cost savings from improved project management and that premium was charged for certain residential projects for the unique and innovative designs; and
- (iii) the effects of (i) and (ii) above were partially set-off by the decreased direct margin % earned by our office projects in 2015 of approximately 28.2% (2014: 32.0%) which was the net effect of: (a) revenue of certain office projects completed before 2014 were earned in 2014 without incurring costs due to defect remediation works covered by our subcontractors; (b) lower direct margins earned for certain office projects in 2014 due to discount given or involvement of subcontractors nominated by customers; and (c) higher direct margin earned for certain office projects in 2015 for the unique and innovative designs.

For detailed analysis on direct margin of different customer segment, please refer to the paragraph headed “Financial Information — Discussion and Analysis of Principal Components of Results of Operations” in this prospectus.

The net profit margin and operating profit margin increased from approximately 12% and 14% respectively for the year ended 31 December 2014 to approximately 18% and 22% respectively for the year ended 31 December 2015 mainly due to the increase in direct margin in 2015, which effect was partially set-off by the increase in other expenses.

The return on total assets and return on total equity increased from approximately 20% and 76% respectively for the year ended 31 December 2014 to approximately 37% and 87% respectively for the year ended 31 December 2015 mainly due the increased net profit for 2015.

## **LISTING EXPENSES AND RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD**

Our estimated expenses in relation to the Listing primarily consist of legal and professional fees in relation to the Listing, the commissions together with SFC transaction levy and Stock Exchange trading fee. Assuming the Offer Price of HK\$0.58 per Offer Share, being the mid-point

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## SUMMARY

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of the Offer Price range stated in this prospectus, estimated listing expenses in connection with the Share Offer are approximately HK\$20.0 million, of which none has been charged to our combined statements of comprehensive income for the year ended 31 December 2015, of which HK\$13.0 million has been charged to our combined statements of comprehensive income for the four months ended 30 April 2016, and approximately HK\$0.7 million is expected to be charged to our combined statements of comprehensive income for the remaining months of the year ending 31 December 2016 and approximately HK\$6.3 million is expected to be capitalised as deferred expenses and charged against equity upon completion of the Share Offer under the relevant accounting standards.

In view of the above, prospective investors should note that the non-recurring expenses in relation to the Listing will have a material adverse effect on the financial results of our Group for the year ending 31 December 2016. Prospective investors are specifically warned that given the aforesaid expenses, our Group's net profit for the year ending 31 December 2016 may show a decline as compared to that for the previous financial year. Our Directors wish to emphasise that the aforesaid amount of listing expenses is a current estimate for reference only and the final amount to be recognised in the combined statements of comprehensive income for the year ending 31 December 2016 is subject to adjustment due to changes in estimates and assumptions.

As at 31 December 2015, there were three ongoing projects and one project awarded in December 2015 with work commencing in 2016 (excluding those relating to maintenance and aftersales services). After 31 December 2015 and up to the Latest Practicable Date, our Company entered into 12 new projects (excluding those relating to maintenance and aftersales services). Among the 16 projects mentioned above, as at the Latest Practicable Date, eight projects were completed, four projects were still on-going and four projects with work not having commenced. The total contract sum of our projects (excluding those relating to maintenance and aftersales services) which were on-going or contracted but not yet commenced as at 31 December 2015 and entered into during the period after 31 December 2015 and up to the Latest Practicable Date amounted to approximately HK\$64.9 million, of which approximately HK\$7.1 million has been recognised as revenue up to 31 December 2015. Our Directors estimated that all of such ongoing projects will be completed within the year ending 31 December 2016 and the contract sum of approximately HK\$57.8 million is projected to be recognised for the year ending 31 December 2016. Our Group has not experienced any difficulty in securing new contracts in Hong Kong.

There had not been, as far as we are aware, any material change in the general economic and market conditions in the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since 31 December 2015 and up to the Latest Practicable Date.

Save for the above, our Directors confirm that there has been no material change in our financial or trading position since 31 December 2015 (being the date to which the latest audited combined financial information of our Group were made up) and up to the date of this prospectus.

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## SUMMARY

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### SUSTAINABILITY OF OUR GROUP'S BUSINESS

We consider the recent downturn of the economy and property market in Hong Kong may pose challenging business environment to all business sectors in general. Despite the market downturn, we continued to be awarded with contracts by our customers. During the Track Record Period, the majority of our backlog was built after March each year and the total contract sum of projects awarded by our customers (excluding those relating to maintenance and aftersales services) during the periods from 1 January to 19 May in years 2014, 2015 and 2016 was approximately HK\$2.7 million, HK\$28.7 million and HK\$40.3 million respectively which shows a growing trend. According to Euromonitor Report, the overall outlook for the office interior design services industry of Hong Kong remains positive despite the prevailing economic situation. Given the economic downturn, companies will be motivated to look for ways to cut costs such as office restructuring with more space utilisation or even downsizing their offices. Our Directors are of the view that such economic situation will not negatively affect our Group's business but instead benefit the interior design industry. Although there will be costs to the companies who choose to restructure or relocate their offices, our Directors believe that these costs are likely to be one-off in nature and the long-term benefits of more efficient utilisation of office space and cheaper office rent will likely motivate the companies to pursue such office restructuring and/or relocation exercise. Our Group has been engaged by some customers for our design services to renovate their offices, of which based on our Directors' understanding, were due to their plans of office restructuring and/or downsizing and their plans to relocate offices from areas with higher rents, such as Wanchai, Quarry Bay and North Point, to offices in Kowloon Bay, Tsim Sha Tsui and Cheung Sha Wan. Accordingly, our Directors are positive on the future prospects of the interior design industry and also believe that our Group's business will remain sustainable in the foreseeable future. For further details on the sustainability of our Group's business, please refer to the paragraph headed "Financial Information — Sustainability of our Group's business" in this prospectus.

### SHAREHOLDERS INFORMATION

After completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), Legend Investments will beneficially own 75% of the entire issued share capital of our Company. Legend Investments is owned as to 80% by Mr. Yau and as to 20% by Ms. Sz, the founders of our Group and executive Directors. You may refer to the section headed "History, Reorganisation and Group Structure" in this prospectus for further details.

### DIVIDENDS

Our Company currently does not have a dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare and pay dividend would require the approval of our Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

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## SUMMARY

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### FUTURE PLANS

The following table shows the intended breakdown of our investment in relation to the extension into the movable furniture business segment:

|                                                                                             | From the<br>Latest<br>Practicable<br>Date to<br>31 December<br>2016<br>(HK\$) | For the<br>six months<br>ending<br>30 June 2017<br>(HK\$) | For the<br>six months<br>ending<br>31 December<br>2017<br>(HK\$) | For the<br>six months<br>ending 30<br>June 2018<br>(HK\$) | Total<br>(HK\$)   |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------|-------------------|
| <b>Extension into the movable furniture business segment</b>                                |                                                                               |                                                           |                                                                  |                                                           |                   |
| — <b>Home Furniture Business</b>                                                            | <b>300,000</b>                                                                | <b>3,610,000</b>                                          | <b>1,220,000</b>                                                 | <b>1,281,000</b>                                          | <b>6,411,000</b>  |
| <b>Breakdown as follows:</b>                                                                |                                                                               |                                                           |                                                                  |                                                           |                   |
| — <i>Showroom/Workshop Rental</i>                                                           | —                                                                             | 450,000                                                   | 450,000                                                          | 472,500                                                   | 1,372,500         |
| — <i>Renovation</i>                                                                         | —                                                                             | 2,000,000                                                 | —                                                                | —                                                         | 2,000,000         |
| — <i>Furniture Samples</i>                                                                  | —                                                                             | 500,000                                                   | 110,000                                                          | 115,500                                                   | 725,500           |
| — <i>Staff Cost/Labour Cost</i>                                                             | —                                                                             | 600,000                                                   | 600,000                                                          | 630,000                                                   | 1,830,000         |
| — <i>Operating Expense</i>                                                                  | —                                                                             | 60,000                                                    | 60,000                                                           | 63,000                                                    | 183,000           |
| — <i>Miscellaneous Cost</i><br><i>(entertainment, marketing,</i><br><i>travelling, etc)</i> | 300,000                                                                       | —                                                         | —                                                                | —                                                         | 300,000           |
| — <b>Office Furniture Business</b>                                                          | <b>500,000</b>                                                                | <b>5,000,000</b>                                          | <b>—</b>                                                         | <b>—</b>                                                  | <b>5,500,000</b>  |
| <b>Breakdown as follows:</b>                                                                |                                                                               |                                                           |                                                                  |                                                           |                   |
| — <i>Investment/Acquisition</i>                                                             | —                                                                             | 5,000,000                                                 | —                                                                | —                                                         | 5,000,000         |
| — <i>Miscellaneous Cost</i><br><i>(entertainment, marketing,</i><br><i>travelling, etc)</i> | 500,000                                                                       | —                                                         | —                                                                | —                                                         | 500,000           |
| <b>Total</b>                                                                                | <b>800,000</b>                                                                | <b>8,610,000</b>                                          | <b>1,220,000</b>                                                 | <b>1,281,000</b>                                          | <b>11,911,000</b> |

## SUMMARY

### USE OF PROCEEDS

Our Directors consider that net proceeds from the Share Offer are crucial for financing our Group's business strategies. Details of our corporate strategies and business plans are set forth in the paragraph headed "Future Plans and Use of Proceeds — Implementation Plans" in this prospectus. Our Directors estimate that the net proceeds from the Share Offer (after deducting the estimated expenses payable by our Group in connection with the Listing) will be approximately HK\$50 million based on the Offer Price of HK\$0.58 per Offer Share (being the mid-point of the Offer Price range between HK\$0.64 and HK\$0.52 per Offer Share, round to the nearest cent). It is currently intended that the net proceeds will be applied as follows:

|                                                                                                                  | From the<br>Latest<br>Practicable<br>Date to<br>31 December<br>2016<br><i>(HK\$'000)</i> | For the<br>six months<br>ending<br>30 June 2017<br><i>(HK\$'000)</i> | For the<br>six months<br>ending<br>31 December<br>2017<br><i>(HK\$'000)</i> | For the<br>six months<br>ending<br>30 June 2018<br><i>(HK\$'000)</i> | Total<br><i>(HK\$'000)</i> | Approximate<br>percentage of<br>total net<br>proceeds |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------|-------------------------------------------------------|
| Recruiting high caliber talents and enhancing company strength                                                   | 2,950                                                                                    | 3,060                                                                | 3,530                                                                       | 3,816                                                                | 13,356                     | 27%                                                   |
| Developing a new line of business and financing potential business collaboration and/or acquisition of companies | 800                                                                                      | 8,610                                                                | 1,220                                                                       | 1,281                                                                | 11,911                     | 24%                                                   |
| Expanding market coverage                                                                                        | 3,622                                                                                    | 1,776                                                                | 2,132                                                                       | 1,933                                                                | 9,463                      | 19%                                                   |
| Capturing larger design and fit out projects                                                                     | 1,500                                                                                    | 1,500                                                                | 1,500                                                                       | 1,500                                                                | 6,000                      | 12%                                                   |
| Increasing the effectiveness of marketing and brand recognition                                                  | 710                                                                                      | 1,200                                                                | 1,480                                                                       | 880                                                                  | 4,270                      | 8%                                                    |
| General working capital                                                                                          | 1,250                                                                                    | 1,250                                                                | 1,250                                                                       | 1,250                                                                | 5,000                      | 10%                                                   |
| <b>Total</b>                                                                                                     | <b>10,832</b>                                                                            | <b>17,396</b>                                                        | <b>11,112</b>                                                               | <b>10,660</b>                                                        | <b>50,000</b>              | <b>100%</b>                                           |

You may refer to the paragraph headed "Future Plans and Use of Proceeds — Reasons for the Share Offer and Use of Proceeds" in this prospectus for further details.

### SHARE OFFER STATISTICS

|                                                                     | Based on an Offer<br>Price of HK\$0.52 | Based on an Offer<br>Price of HK\$0.64 |
|---------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Our market capitalisation at Listing                                | 249,600,000                            | 307,200,000                            |
| Unaudited pro forma adjusted combined net tangible assets per Share | 0.13                                   | 0.15                                   |

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## SUMMARY

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*Notes:*

- (1) The calculation of market capitalisation is based on 480 million Shares expected to be in issue immediately upon completion of the Share Offer and the Capitalisation.
- (2) The unaudited pro forma net tangible assets per Share includes adjustments referred to in the paragraph headed “Financial Information — A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” in this prospectus and on the basis of 480 million Shares in issue at the Offer Price of HK\$0.52 and HK\$0.64 per Offer Share immediately following the completion of the Share Offer and the Capitalisation Issue.

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## DEFINITIONS

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*In this prospectus, the following expressions and terms shall have the meanings set out below unless the context otherwise requires.*

|                                         |                                                                                                                                                                                                                                 |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “3D”                                    | three-dimensional space                                                                                                                                                                                                         |
| “Accountant’s Report”                   | the accountant’s report of our Group prepared by reporting accountant as set out in Appendix I to this prospectus                                                                                                               |
| “acting in concert”                     | has the meaning ascribed thereto under the Takeovers Code                                                                                                                                                                       |
| “AL Design”                             | AL Design & Associates Limited, formerly known as Allen Legend Design Limited, a company incorporated in Hong Kong on 22 October 1999 with limited liability and a wholly-owned subsidiary of our Company                       |
| “AL Group International”                | AL Group International Limited, a limited liability company incorporated in BVI on 16 February 2016 and a wholly-owned subsidiary of our Company                                                                                |
| “Application Form(s)”                   | <b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s) or, where the context so requires, any of them                                                                         |
| “Articles” or “Articles of Association” | the articles of association of our Company, conditionally adopted on 15 June 2016 to become effective upon the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus |
| “associate(s)”                          | has the meaning ascribed thereto under the GEM Listing Rules                                                                                                                                                                    |
| “Board”                                 | our board of Directors                                                                                                                                                                                                          |
| “business day”                          | a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal business to the public                                                                  |
| “BVI”                                   | the British Virgin Islands                                                                                                                                                                                                      |
| “CAGR”                                  | compound annual growth rate                                                                                                                                                                                                     |

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## DEFINITIONS

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|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Capitalisation Issue”                                                           | the issue of 359,999,900 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “A. Further Information about our Company and its Subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on 15 June 2016” in Appendix IV to this prospectus |
| “CCASS”                                                                          | the Central Clearing and Settlement System established and operated by HKSCC                                                                                                                                                                                                                                                                                           |
| “CCASS Clearing Participant”                                                     | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant                                                                                                                                                                                                                                                             |
| “CCASS Custodian Participant”                                                    | a person admitted to participate in CCASS as a custodian participant                                                                                                                                                                                                                                                                                                   |
| “CCASS Investor Participant”                                                     | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation                                                                                                                                                                                                                                    |
| “CCASS Operational Procedures”                                                   | the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force                                                                                                                                                     |
| “CCASS Participant”                                                              | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant                                                                                                                                                                                                                                                                            |
| “Companies Law” or “Cayman Companies Law”                                        | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands                                                                                                                                                                                                                                                                          |
| “Companies Ordinance”                                                            | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                       |
| “Companies Registry”                                                             | the Companies Registry of Hong Kong                                                                                                                                                                                                                                                                                                                                    |
| “Companies (WUMP) Ordinance” or “Companies Ordinance (Miscellaneous Provisions)” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                              |
| “Company” or “our Company”                                                       | AL Group Limited (利駿集團(香港)有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 1 February 2016                                                                                                                                                                                                                         |

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## DEFINITIONS

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|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Controlling Shareholder(s)”        | has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely Legend Investments, Mr. Yau and Ms. Sz. Mr. Yau and Ms. Sz are a group of controlling shareholders and have been and will be acting in concert and voted and will vote in unanimous manner on any resolution in respect of the management, development and operations of our Group’s operations |
| “Deed of Indemnity”                 | the deed of indemnity dated 15 June 2016 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities more particularly referred to in paragraph headed “Other Information — 14. Tax and other indemnities” in Appendix IV to this prospectus                                                                                                                           |
| “Deed of Non-competition”           | the deed of non-competition dated 15 June 2016 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) regarding certain non-competition undertakings, a summary of the principal terms of which is set out in the section headed “Relationship with Controlling Shareholders” in this prospectus                                                                                             |
| “Director(s)”                       | director(s) of our Company                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “Euromonitor”                       | Euromonitor International Limited, a market research company and an Independent Third Party                                                                                                                                                                                                                                                                                                                                                                  |
| “Euromonitor Report”                | the industry report prepared by Euromonitor                                                                                                                                                                                                                                                                                                                                                                                                                  |
| “GDP”                               | gross domestic product                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| “GEM”                               | the Growth Enterprise Market of the Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                           |
| “GEM Listing Rules”                 | the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                                                                                                                        |
| “ <b>GREEN</b> Application Form(s)” | the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider                                                                                                                                                                                                                                                                                                                                                                        |

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## DEFINITIONS

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| “Group”, “our Group”, “we”, “us” or “our”    | our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the businesses which have since been acquired or carried on by them or has the case may be their predecessors |
| “HK eIPO White Form”                         | the application for issue of Public Offer Shares in the applicant’s own name by submitting applications online through the designated website of <b>HK eIPO White Form</b> at <b><u>www.hkeipo.hk</u></b>                                                                                                                                                                                    |
| “HK eIPO White Form Service Provider”        | the <b>HK eIPO White Form</b> service provider designed by our Company, as specified on the designated website at <b><u>www.hkeipo.hk</u></b>                                                                                                                                                                                                                                                |
| “HKFRSs”                                     | Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute of Certified Public Accountants                                                                                                                                                                                |
| “HKSCC”                                      | Hong Kong Securities Clearing Company Limited                                                                                                                                                                                                                                                                                                                                                |
| “HKSCC Nominees”                             | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC                                                                                                                                                                                                                                                                                                                                   |
| “Hong Kong” or “HK”                          | the Hong Kong Special Administrative Region of the PRC                                                                                                                                                                                                                                                                                                                                       |
| “Hong Kong Branch Share Registrar”           | Tricor Investor Services Limited                                                                                                                                                                                                                                                                                                                                                             |
| “Hong Kong Legal Counsel”                    | Mr. Vincent Shun Chi Kee, barrister-at-law in Hong Kong                                                                                                                                                                                                                                                                                                                                      |
| “Independent Third Party(ies)”               | a person(s) or company(ies) who or which is/are independent of and not connected (within the meaning of the GEM Listing Rules) with any of the directors, chief executive or Substantial Shareholders of our Company or its subsidiaries or any of their respective associates                                                                                                               |
| “Joint Bookrunners” or “Joint Lead Managers” | VBG Capital Limited and Pacific Foundation Securities Limited                                                                                                                                                                                                                                                                                                                                |
| “Latest Practicable Date”                    | 20 June 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication                                                                                                                                                                                           |

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## DEFINITIONS

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| “Legend Contracting”                                       | Legend Contracting Limited, a limited liability company incorporated in Hong Kong on 20 February 2006 and is owned as to 80% by Mr. Yau and as to 20% by Ms. Sz                                                                                                                                                                                                                                                                  |
| “Legend Investments”                                       | Legend Investments International Limited, a limited liability company incorporated in BVI on 27 January 2016 and is owned as to 80% by Mr. Yau and as to 20% by Ms. Sz                                                                                                                                                                                                                                                           |
| “Legend One”                                               | Legend One Contracting Limited, a limited liability company incorporated in Hong Kong on 20 January 2016 and is owned as to 80% by Mr. Yau and 20% by Ms. Sz                                                                                                                                                                                                                                                                     |
| “Listing”                                                  | the listing of the Shares on GEM                                                                                                                                                                                                                                                                                                                                                                                                 |
| “Listing Date”                                             | the date, expected to be on or about Tuesday, 12 July 2016, on which the Shares are listed on GEM and from which date dealings in the Shares are permitted to commence on GEM                                                                                                                                                                                                                                                    |
| “Memorandum” or<br>“Memorandum of Association”             | the memorandum of association of our Company adopted on 15 June 2016 and as supplemented, amended or otherwise modified from time to time                                                                                                                                                                                                                                                                                        |
| “Mr. Yau”                                                  | Mr. Yau Chung Ping, formerly known as Yau Yuk Ping, our executive Director and one of our Controlling Shareholders, the spouse of Ms. Wu                                                                                                                                                                                                                                                                                         |
| “Ms. Sz”                                                   | Ms. Sz Kit, our executive Director and one of our Controlling Shareholders                                                                                                                                                                                                                                                                                                                                                       |
| “Ms. Wu”                                                   | Ms. Wu Kar Wai, our executive Director, the spouse of Mr. Yau                                                                                                                                                                                                                                                                                                                                                                    |
| “Offer Price”                                              | the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.64 per Offer Share and expected to be not less than HK\$0.52 per Offer Share, such price to be agreed upon by our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters) on or before the Price Determination Date |
| “Offer Shares”                                             | collectively, the Placing Shares and Public Offer Shares                                                                                                                                                                                                                                                                                                                                                                         |
| “PFS” or “a Joint Bookrunner”<br>or “a Joint Lead Manager” | Pacific Foundation Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO                                                                                                                                                                                                                                                       |

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## DEFINITIONS

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| “Placing”                        | the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price with professional, institutional and other investors in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus                       |
| “Placing Share(s)”               | the 108,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Placing (subject to adjustment as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)                                                                        |
| “Placing Underwriters”           | the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares                                                                                                                                                                                  |
| “Placing Underwriting Agreement” | the conditional underwriting agreement relating to the Placing expected to be entered into, amongst others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on or about the Price Determination Date     |
| “PRC” or “China”                 | the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan                                                                                                                                                                                                                 |
| “PRC Legal Advisers”             | Commerce & Finance Law Offices                                                                                                                                                                                                                                                                                             |
| “Price Determination Date”       | the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 6 July 2016                                                                                                                                                                                                                |
| “Public Offer”                   | the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus |
| “Public Offer Shares”            | the 12,000,000 new Shares (subject to reallocation) initially being offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus                                                                                    |
| “Public Offer Underwriters”      | the underwriters of the Public Offer Shares whose names are set out in the section headed “Underwriting” in this prospectus                                                                                                                                                                                                |

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## DEFINITIONS

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| “Public Offer Underwriting Agreement”                                  | the conditional underwriting agreement relating to the Public Offer entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters on or around 28 June 2016, details of which are set forth in the section headed “Underwriting” in this prospectus |
| “Reorganisation”                                                       | the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Group Structure” in 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)”                                                             | ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company                                                                                                                                                                                                                                                                                  |
| “Share Offer”                                                          | the Public Offer and the Placing                                                                                                                                                                                                                                                                                                                                             |
| “Share Option Scheme”                                                  | the share option scheme conditionally adopted by our Company on 15 June 2016, a summary of its principal terms is set out in the paragraph headed “13. Share Option Scheme” in Appendix IV to this prospectus                                                                                                                                                                |
| “Shareholder(s)”                                                       | holder(s) of the Share(s)                                                                                                                                                                                                                                                                                                                                                    |
| “Sole Sponsor” or<br>“a Joint Bookrunner” or<br>“a Joint Lead Manager” | VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO                                                                                                                                                                                                        |
| “Stock Exchange”                                                       | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                                                                                                                                                                      |
| “subsidiary” or “subsidiary(ies)”                                      | has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires                                                                                                                                                                                                                                                                            |
| “Substantial Shareholder(s)”                                           | has the meaning ascribed to it under the GEM Listing Rules                                                                                                                                                                                                                                                                                                                   |

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## DEFINITIONS

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| “Takeovers Code”                     | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time       |
| “Track Record Period”                | the period comprising the two years ended 31 December 2014 and 2015                                                                              |
| “Underwriters”                       | the Public Offer Underwriters and the Placing Underwriters                                                                                       |
| “Underwriting Agreements”            | the Public Offer Underwriting Agreement and the Placing Underwriting Agreement                                                                   |
| “ <b>WHITE</b> Application Form(s)”  | the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s) |
| “ <b>YELLOW</b> Application Form(s)” | the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS                        |
| “HK\$” or “Hong Kong dollars”        | Hong Kong dollars, the lawful currency of Hong Kong                                                                                              |
| “RMB” or “Renminbi”                  | Renminbi, the lawful currency of the PRC                                                                                                         |
| “sq.ft.”                             | square feet                                                                                                                                      |
| “US\$ ” or US dollars”               | United States dollars, the lawful currency of the United States of America                                                                       |
| “%”                                  | per cent                                                                                                                                         |

*All dates and times in this prospectus refer to Hong Kong time unless otherwise stated.*

*No representation is made that any amounts in US\$ or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates or at all.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*In this prospectus, if there is any inconsistency between Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “\*” are for identification purpose only.*

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that state our Company's belief, expectations, or intentions for the future. The words "aim", "anticipate", "believe", "could", "estimate", "expect", "forecast", "going forward", "intend", "ought to", "may", "plan", "potential", "project", "seek", "should", "will", "would", "wish" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

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. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

These forward-looking statements reflect the current view of our Company with respect to future events and are, by their nature, subject to significant risks, assumptions and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our operations and business prospects, including development plans for our existing business;
- changes in policies, legislation, regulations or practices in the industry and those countries or territories in which we operate that may affect our business operations;
- our financial condition and results of operations;
- changes in economic conditions and competitions in the area in which we operate, including a downturn in general economy;
- the regulatory environment and industry outlook in general;
- future developments in the competition markets of our industry and actions of our competitors;
- catastrophic losses from fires, floods, wind; and
- other factors beyond our control and other risks and uncertainties described in the section headed "Risk Factors" in this prospectus.

Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, our Group does not intend 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 our Group expects, or at all.

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## **FORWARD-LOOKING STATEMENTS**

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Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set forth in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this prospectus. Any such intentions may potentially change in light of future developments.

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.*

*This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### **RISKS RELATED TO OUR BUSINESS**

#### **Failure to obtain new contracts could materially affect our financial performance**

The orders that we receive are generally on a non-recurring contract basis, relating to interior design and fit out works. The majority of our revenue is non-recurring in nature and we cannot guarantee that we will continue to secure new contracts from our customers after the completion of the existing contracts. Our Group may be required to go through a competitive quotation process to secure new contracts. In the event that we are unable to maintain business relationship with our existing customers or unable to price our quotation competitively to secure contracts with new customers, our business and our revenue will be adversely affected. It is critical for our Group to secure new contracts of similar or larger value on a continual basis, and should we fail to do so, the financial performance of our Group will be adversely affected.

#### **We rely on our management team in operating our business**

Our success relies, to a significant extent, on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including personnel with the requisite expertise in interior design and project management. Each of our founders and our executive Directors, Mr. Yau and Ms. Sz, has more than 20 years of experience in interior design and project management and our Directors believe that we possess in-depth knowledge and insightful understanding of the culture and preference of our customers that mainly include private companies, associated companies of listed companies and a statutory body. Further information about our management's experience is set out in the section headed "Directors, Senior Management and Employees" in this prospectus. If any of our executive Directors or our senior management ceases to be involved in the management of our Group and we are unable to find suitable replacement in a timely manner, there could be an adverse impact to our business, results of operations and profitability of our Group.

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## RISK FACTORS

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**We rely on our ability to successfully meet customers' and end users' preference by delivering our interior design solutions in a timely manner**

We principally provide interior design and fit out solutions, which include (i) design and fit out with the fit out works performed by our designated subcontractors (ii) design only. Our Directors believe that our success is, to a significant extent, attributable to our ability to capture the market trend in design and our responsiveness to changes in customers' preference, which in turn is affected by the end users' preference. Accordingly, our interior design should target both our customers, that mainly include private companies, associated companies of listed companies, a statutory body, and end users. Given the highly subjective nature of the interior design and fit out business and the rapid change in the interior design market trend, there is no assurance that our interior design and fit out solutions will continue be able to capture, anticipate or respond timely to our customer's and/or end users' preference, and introduce appealing and commercially viable design, our business and results of operations may thus be adversely affected.

**We rely on the performance of our project management staff**

In our Group's interior design business, our Group would attempt to leverage on the expertise of our team of project management staff in improving the overall project management and execution to a more cost-effective one in order for our Group to achieve savings. As such, our Directors consider that our Group's project management staff is crucial to the day-to-day operations and the continuing success of our Group. Any ineffective materials purchase and discoordination of subcontractors by our project management staff may cause unnecessary delays to the overall project and hence, affect our profitability. There is no guarantee that our project management staff will perform effectively to our standard. In the event that our project management staff performs ineffectively or below our standard and hence cause unnecessary costs and delays, the operations and profitability of our Group may be materially and adversely affected.

**We rely on our suppliers, which are broadly categorised into materials suppliers and subcontractors, to complete certain projects and are subject to risk arising from the non-compliance, late performance or poor performance by such suppliers. Also, there is no assurance that these suppliers will be able to continue to provide services to us at fees acceptable to us**

We engage subcontractors for part of certain contracts secured by us which we do not typically provide in-house. The engagement of subcontractors is subject to certain risks, including difficulties in overseeing the performance of such subcontractors in a direct and effective manner, failure to complete the contracted scope of works, inability to hire suitable subcontractors, or losses as a result of unexpected subcontracting cost overrun. As the subcontractors have no direct contractual relationships with our customers in the event that they are selected by our Group from our approved list of subcontractors, we are subject to risks associated with non-performance, late performance or poor performance by our subcontractors. As a result, (i) our reputation, which is vital for us to maintain our customer relationships, may be materially adversely affected; and (ii) we may experience deterioration in the quality of our signage and related works, incur additional

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## RISK FACTORS

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costs, or be exposed to liability in relation to the performance of subcontractors under the relevant contracts, which may have an adverse material impact on our profitability and financial performance, and may result in litigation or damages claims.

In addition, we are also subject to claims arising from defective work performed by our subcontractors. While we may attempt to seek compensation from the relevant subcontractors, who may be unable to perform their obligations in a timely manner, we may be required to compensate our customers before receiving compensation from our subcontractors. If no corresponding claims can be asserted against our subcontractors, or the amounts of the claim cannot be recovered in full or at all from our subcontractors, we may be required to bear some or all the claim costs, in which, our business, financial position, results of operations and prospects could be materially and adversely affected.

For the years ended 31 December 2014 and 2015, our Group's subcontracting and material costs amounted to approximately HK\$35.5 million and HK\$55.5 million respectively, representing approximately 69.3% and 65.7% of the total revenue respectively. Our largest supplier accounted for approximately 12.6% and 13.0% of our subcontracting and materials costs for the years ended 31 December 2014 and 2015 respectively. Our top five largest suppliers accounted for approximately 32.0% and 31.0% of our subcontracting and materials costs for the years ended 31 December 2014 and 2015 respectively. There is no assurance that our suppliers will be able to continue to provide the required fit out materials and services to our Group at fees acceptable to us. In the event that any of our suppliers is unable to provide the required fit out materials or services to our Group or their costs for providing the required fit out materials or services increase substantially, our business, profitability and liquidity may be adversely affected.

### **Inaccurate estimation of time and costs involved in our projects when providing fee quotes may affect our profitability**

Our Group needs to estimate the time and costs involved in interior design and fit out management works in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the estimation during the performance of the projects. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key design staff involved in the project, delays in providing the necessary services by our subcontractors, delays in obtaining the necessary approvals in respect of the interior designs from the relevant government authorities or their appointed consultants, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect our Group's direct margin and results of operations.

### **Shortage of skilled workers may affect our projects and our performance**

Generally, the fit out works involved in our projects are labour intensive and require skilled workers to perform. There is no assurance that the supply of skilled workers will be sufficient in the forthcoming years, as reflected by the fact that the average daily salaries for skilled workers in Hong Kong experienced significant increase from 2012 to 2014 due to limited pool of labour

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## RISK FACTORS

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available in the market. If there is labour shortage resulting in a significant increase in the costs of labour and our subcontractors have to retain their workers by increasing their wages, our subcontracting and material costs will increase thus lowering our profitability. On the other hand, if our subcontractors fail to retain sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to timely complete our projects which may result in a breach of our contracts with our customers and hence litigation or damages claims.

For information relating to the increase in labour costs over the past years, please refer to the paragraph headed “Industry Overview — Office Interior Design Service Market in Hong Kong — Labour Cost — Wages for skilled workers employed in office interior design rose significantly” in this prospectus.

**We are exposed to the credit risks of and may experience increasing balance of trade receivables. Further, there is no assurance that our customers will agree with a project’s progress and pay our progress payment on time and in full, or that retention monies are fully released to us after project completion or the expiry of any defect liability period**

We are subject to the credit risks of our customers and our liquidity is dependent on our customers making prompt payment on billings for work done by us. A large portion of our Group’s income is billed on a progress payment method. However, the progress of a project may sometimes be subjective and our customers may not agree to our estimation of the project’s progress. If our customers do not agree with us the progress of the project, they may refuse to pay us amounts as set out in the agreed payment schedule. The last progress payment, usually around 5% to 10% of the contract sum of our projects, is regarded by us as retention monies and will generally be settled by our customers about one to three months after project completion. For projects which we provide a defect liability period, the last progress payment is settled only after conclusion of the defect liability period which normally lasts for three to 12 months. There can be no assurance that progress payment or retention monies are 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.

**Our business may suffer if we fail to provide quality maintenance and aftersales services to our customers**

We offer our customers continuing services which last beyond project completion as we provide maintenance and aftersales services to our customers. It is important for us to provide quality maintenance and aftersales services in order for us to maintain strong and sustainable relationship with our customers. We believe that, by providing quality maintenance and aftersales services, we will be able to attract and maintain recurring customers which are vital for our sustainable business growth. In the event that we fail to provide quality maintenance and aftersales services to our customers, our business, reputation and financial results may be materially and adversely affected.

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## RISK FACTORS

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### **We may be unsuccessful in managing our extension to the movable furniture business segment**

We have focused primarily on the provision of interior design and fit out as well as overall project management services and we intend to extend our core business to include designing and producing movable furniture. For further details, please refer to the paragraphs headed “Business — Business Strategies — We plan to develop a new line of business and selectively pursue business collaboration and/or acquisition of companies” and “Future Plans and Use of Proceeds — Implementation Plans — Extension to the movable furniture business segment” in this prospectus. When executing our expansion plan relating to the movable furniture business segment, we may face difficulties such as inadequate knowledge of and experience with the business environment, customer preferences and behavior, and competition with market players who may have a well-established presence in the market. There is no assurance that we will execute our plan successfully, especially in light of uncertain economic conditions as a result of economic downturn. There can also be no assurance that the new business will generate positive returns on our investment. Any of these factors could have a material adverse effect on our business, results of operations and financial conditions.

### **Delays in the completion of projects may pose us to compensation or liquidated damages and our reputation may be detrimentally affected**

The pre-estimated time required for completing a project, in particular one involving fit out works, can be materially affected by numerous factors beyond our control. These include shortage of labour and materials, acts of gods, accidents, etc. If we cannot take remedial actions in a timely manner, such as finding suitable alternative subcontractors, sourcing and replacing items of decoration to our customers with equivalent quality and price, locating additional manpower to meet unexpected contingencies, any of these can give rise to delays in completion of works, or even unilateral termination of projects by our customers in a more serious case. If our Group is unable to manage, coordinate, complete and deliver our projects in accordance with the agreed delivery schedule, our Group may be liable to pay penalty, which may be calculated on a daily basis or on an one-off basis. Our customers may deduct such penalty from the service fee payable to our Group, or if the service fee is insufficient to cover the penalty, they can make claim against our Group. In any of these events, our reputation and financial results can be detrimentally affected.

### **Negative publicity or damage to our business reputation may have potential adverse impact on our business**

Our Group heavily relies on our reputation and the reputation of our team as we generally obtain our contracts through customers who have experience and understanding in our quality of design and fit out works. Our Directors believe that in the interior design and fit out industry in Hong Kong, our Group has a good reputation of completing projects on time and to the satisfaction of our customers. Negative publicity associated with our Group and/or our team could result in the loss of customers or lead to increasing difficulty in securing new projects based on our Group’s reputation. If any customer who is not satisfied with our work, whether justified or not, raises any

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## RISK FACTORS

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complaints regarding our Group which comes to the attention of the public, our existing or potential customers, the business, brand and reputation of our Group may be adversely affected, which will in turn, adversely affect our growth prospects and financial condition.

**The trend of our historical financial information may not necessarily reflect our financial performance in the future**

For the years ended 31 December 2014 and 2015, our Group's revenue amounted to approximately HK\$51.2 million and HK\$84.5 million respectively and our Group's net profit amounted to approximately HK\$5.9 million and HK\$15.3 million respectively. Such trend of historical financial performance of our Group is an analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend to a large extent on our ability to secure new contracts and to control our costs and expenditures. There is no assurance that our Group could achieve the same or higher level of financial performance as we did during the Track Record Period in the future.

**The trend of our historical direct margin may not necessarily reflect our financial performance in the future**

For the years ended 31 December 2014 and 2015, our Group's direct margin defined as revenue less subcontracting and material costs amounted to approximately 30.7% and 34.3% respectively. Such trend of historical financial performance of our Group is an analysis of our past direct margin only and does not have any positive implication or may not necessarily reflect our direct margin in the future which will depend to a large extent on our ability to secure new projects with higher direct margin. If we undertake more projects with lower direct margin, our direct margin will be adversely affected.

Please see the paragraph headed "Financial Information — Selected Financial Ratios Discussion — Direct margin" in this prospectus for further details on direct margin.

**Our prospects may be adversely affected by natural disasters, act of terrorism, acts of God, and occurrence of epidemics**

Our business is subject to general economic and social conditions around the world, in particular in Hong Kong. Natural disasters, epidemics, act of terrorism and other acts of God which are beyond our control may adversely affect local economies, infrastructure and livelihoods. Hong Kong, alike other worldwide countries, is under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("SARS"), Middle East Respiratory Syndrome ("MERS"), H5N1 avian flu, Ebola, as well as influenza caused by H7N9 and H3N2 or the human swine flu, also known as influenza A (H1N1) virus. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the local economy in Hong Kong. A recurrence of SARS or an outbreak of any other epidemics in Hong Kong, such as the H5N1 avian flu, MERS or the human swine flu, could interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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## RISK FACTORS

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### **Risk of uncertainties of our future plans**

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

### **RISKS RELATING TO THE INDUSTRY**

#### **Our business may suffer if we do not respond effectively to changes in regulatory and industry standards.**

Our success will depend, in part, on our ability to keep up with the pace of changing standards in the market we serve. If we do not respond successfully to changes in the regulatory, as well as evolving industry standards, our customers are likely to seek more qualified service providers who are able to respond more effectively to changes in the regulatory standards and better meet their demand. In such event, our business and results of operations may be materially and adversely affected.

#### **We are affected by the development in the Hong Kong property market and the outlook of the Hong Kong economy**

We offer interior design and fit out solutions to our customers with the fit out works performed by our designated subcontractors. The demand for our services is driven by the need of stylish and well-designed offices and residential homes for our customers and the general economic environment in Hong Kong. Any sudden change in market expectation on the property industry may affect the buying or leasing decision of office space or residential properties by end users, and hence the demand for our services may be affected. Historically, our customer base largely comprised lessees in the office segment and we strive to maintain recurring customers in this segment. According to the Euromonitor Report, the office property market is showing an upward trend despite there being signs of slowing down in the overall Hong Kong property market recently. Although we do not expect the recent slowdown in the Hong Kong property market to have any significant impact on our business and financial performance, any concerns over the sustainability of the property market growth in Hong Kong due to (i) the possibility for an increase in interest rate; (ii) increasing housing supply; and (iii) weaker economic momentum and outlook of the Hong Kong economy, may potentially affect our customers' decision on renewal of office leases and their overall budget allocated for design and fit out of their new offices. Accordingly, our results of operations and financial performance are affected by the market expectation on and prospects of the property industry. In the event that the development and growth of the property industry is not sustained or slows down, or there is any change in market expectation on our customers' industry, our business, results of operations, financial condition and prospects may be materially and adversely affected. For information about the recent slowdown of the Hong Kong property market,

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## RISK FACTORS

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please refer to the paragraph headed “Industry Overview — Office Interior Design Service Market in Hong Kong — Market Overview — Recent downturn of the Hong Kong’s property market” in this prospectus.

### **We face keen competition in our industry in Hong Kong**

During the Track Record Period, we primarily focused on the office segment in Hong Kong. As such, our Group competes with other interior design and fit out companies primarily in Hong Kong that provide services similar to those of our Group. The interior design and fit out industry in Hong Kong is highly competitive. 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, given that the industry is not labour intensive and does not require a large amount of capital to start up a new business, the entry barrier to our business is low and accordingly we may face keen competition in the future if there are newcomers 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.

### **RISKS RELATING TO THE SHARE OFFER**

#### **Investors will experience immediate dilution**

Since the Offer Price is higher than the combined net tangible assets per Share as at 31 December 2015, subscribers and purchasers of the Offer Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets to HK\$0.13 per Share, based on the minimum Offer Price of HK\$0.52 per Offer Share, or HK\$0.15 per Share, based on the maximum Offer Price of HK\$0.64 per Offer Share.

#### **The liquidity trading volume and trading price of the Shares may be volatile**

The trading price and the trading volume of the Shares may be highly volatile and may be affected by the following factors:

- actual or anticipated fluctuations in our results of operations;
- recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- changes in investors’ perception of our Group and the investment environment generally;
- the liquidity of the market for the Shares;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or the interior design and fit out industry in which we operate;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;

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## RISK FACTORS

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- political, social and economic conditions in the PRC and Hong Kong;
- developments in information technology; and
- release of lock-up or other transfer restrictions on the Shareholders.

**The sales or availability for sales of substantial amounts of the Shares in the future could materially and adversely affect the market price of the Shares and our Group's ability to raise further capital**

Future sales of substantial amounts of the Shares in the public market could adversely affect the prevailing market price of the Shares. Our Controlling Shareholders have given a non-disposal undertakings to our Company, the Stock Exchange, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and the Public Offer Underwriters in respect of their Shares and our Company will not be allowed to issue Shares or securities convertible into equity securities of our Company within six months from the Listing Date. Please refer to the section headed "Underwriting" in this prospectus for a more detailed discussion of the restrictions that may apply to future issues and sales of the Shares. After these restrictions lapse, the market price of the Shares could materially decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This could also materially and adversely affect our Group's ability to raise capital in the future at a time and at a price it deems appropriate.

**Shareholders' interests in our Company may be diluted in the future**

Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by way of issue of new equity or equity-linked securities of our Company and such fund-raising exercises may not be conducted on a pro-rata basis to existing Shareholders. As such, the shareholding of the then Shareholders may be reduced or diluted. We may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our business. We may require additional equity funding after the Share Offer and the equity interest of the Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

Our Group may issue additional Shares upon the exercise of options that may be granted under the Share Option Scheme. Under the HKFRSs, the costs of share options to be granted under the Share Option Scheme will be charged to our Group's statements of comprehensive income over the vesting period by reference to the fair value at the date of granting of the share options. Our financial results may be adversely affected during the vesting period over the life of any outstanding share options to be granted under the Share Option Scheme. Upon the exercise of the outstanding share options, our Company shall allot and issue further new Shares to the holders of such outstanding share options which will result in dilution of shareholders' interests in our Company.

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## RISK FACTORS

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### **The interests of our Controlling Shareholders may not always coincide with our and/or your best interests**

Upon completion of the Share Offer and the Capitalisation Issue without taking into account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme, our Controlling Shareholders will own approximately 75% of the Shares. If the interests of our Controlling Shareholders conflict with our and/or your interests, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with our and/or your interests, Shareholders, including you, may be disadvantaged as a result.

### **Statistics and facts in this prospectus have not been independently verified**

This prospectus includes certain facts, forecasts and other statistics including those relating to Hong Kong that are based on report produced by Euromonitor or have been extracted from government official sources and publications or other sources. Our Company believes the sources of these statistics and facts are appropriate and we have taken reasonable care in extracting and reproducing such statistics and facts. Our Company has 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 from these sources have not been independently verified by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Share Offer and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts. As such, these statistics and facts should not be unduly relied upon. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, these statistics referred to or contained in this prospectus 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.

### **Lack of liquidity of the Shares and volatility of the Share price on GEM may be resulted**

Prior to the Share Offer, there has been no public market for the Shares. There is no guarantee that a liquid public market for the Shares will develop or be sustained upon completion of the Share Offer. In addition, the Offer Price has been determined by negotiations between the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company, and may not be indicative of the market price of the Shares that will prevail in the trading market and such market prices may be volatile. If an active public market for the Shares does not develop after the Share Offer, the market price and liquidity of the Shares may be adversely affected. Investors may not be able to sell their Shares at or above the Offer Price. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of the Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

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## RISK FACTORS

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### **Termination of the Underwriting Agreements**

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by PFS (for itself and on behalf of the other Underwriters) giving notice in writing to our Company upon the occurrence of any of the events set out in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flooding, hurricanes, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lockouts.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### 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 Companies (WUMP) 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 to the public with regard to us. 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### UNDERWRITING

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in section headed “Structure and Conditions of the Share Offer” in this prospectus. The Listing which is sponsored by the Sole Sponsor and managed by the Joint Bookrunners. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters). The Share Offer is managed by the Joint Bookrunners. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further details about the Underwriters and the Underwriting Agreements, please refer to the section headed “Underwriting” in this prospectus.

### DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company on the Price Determination Date, or such later date or time as may be agreed by the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company. The Offer Price is currently expected to be not more than HK\$0.64 per Offer Share and not less than HK\$0.52 per Offer Share. The Joint Bookrunners (for themselves and on behalf of the other Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.AL-Grp.com](http://www.AL-Grp.com).

If the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company, the Share Offer will not proceed.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **SELLING RESTRICTIONS OF OFFER SHARES**

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such 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/or the related Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his/her acquisition of the Offer Shares be deemed to confirm, that he/she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and/or the related Application Forms and that he/she is not acquiring, and has not been offered any such Offer Shares in circumstance that contravenes any such restrictions.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for application for the Public Offer Shares is set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and on the relevant Application Forms.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Details of the structure and conditions of the Share Offer are set out in the section headed “Structure and Conditions of the Share Offer” in 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 Share Offer and the Capitalisation Issue and the Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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Under Section 44B(1) of the Companies (WUMP) Ordinance, if the permission for the Shares to be listed on GEM pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Share Offer 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.

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

No part of the Shares or 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 a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus 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 on 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Tuesday, 12 July 2016.

Shares will be traded in board lots of 4,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8360.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered in our Company's branch register of members to be maintained in Hong Kong by the branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM.

Our Company's principal register of members will be maintained by the principal share registrar and transfer office, Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Dealings in the Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares. None of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons involved in the Share Offer 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 Offer Shares.

### LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of 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.

### OTHER

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

| <u>Name</u>                                        | <u>Residential address</u>                                                                                              | <u>Nationality</u> |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------|
| <i><b>Executive Directors:</b></i>                 |                                                                                                                         |                    |
| Mr. Yau Chung Ping<br>(邱仲平)                        | House C11, 380 Hiram's Highway<br>Marina Cove, Hebe Haven<br>Sai Kung, New Territories<br>Hong Kong                     | Chinese            |
| Ms. Sz Kit<br>(施潔)                                 | Flat RA, 12/F., Tower 2<br>R Wing (Sunflower)<br>Le Prestige, Lohas Park<br>Tseung Kwan O, New Territories<br>Hong Kong | Chinese            |
| Ms. Wu Kar Wai<br>(胡家惠)                            | House C11, 380 Hiram's Highway<br>Marina Cove, Hebe Haven<br>Sai Kung, New Territories<br>Hong Kong                     | Chinese            |
| <i><b>Independent non-executive Directors:</b></i> |                                                                                                                         |                    |
| Mr. Neo Sei Lin, Christopher<br>(梁世麟)              | Room 2605<br>Harbour Grand Hong Kong<br>23 Oil Street, North Point<br>Hong Kong                                         | Singaporean        |
| Mr. Lau Chun Wah, Davy<br>(劉震華)                    | 56 Duchess Avenue<br>#01-06 Duchess Crest<br>Singapore 269199<br>Singapore                                              | Singaporean        |
| Ms. Lee Hau Yan, Hannah<br>(李巧恩)                   | Flat H, 22/F., Block 5,<br>Chi Fu Fa Yuen, Pokfulam<br>Hong Kong                                                        | Chinese            |

Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for further information on our Directors.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

##### **VBG Capital Limited**

*A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO*

18th Floor, Prosperity Tower

39 Queen's Road Central

Hong Kong

#### **Joint Bookrunners and Joint Lead Managers**

##### **VBG Capital Limited**

18th Floor, Prosperity Tower

39 Queen's Road Central

Hong Kong

##### **Pacific Foundation Securities Limited**

11th Floor, New World Tower II

16–18 Queen's Road Central

Hong Kong

#### **Placing Underwriters**

##### **VBG Capital Limited**

18th Floor, Prosperity Tower

39 Queen's Road Central

Hong Kong

##### **Pacific Foundation Securities Limited**

11th Floor, New World Tower II

16–18 Queen's Road Central

Hong Kong

#### **Public Offer Underwriters**

##### **VBG Capital Limited**

18th Floor, Prosperity Tower

39 Queen's Road Central

Hong Kong

##### **Pacific Foundation Securities Limited**

11th Floor, New World Tower II

16–18 Queen's Road Central

Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Legal advisers to our Company</b>                           | <i>As to Hong Kong law:</i><br><b>Robertsons</b><br>57th Floor, The Center<br>99 Queen's Road Central<br>Hong Kong<br><br><i>As to PRC law:</i><br><b>Commerce &amp; Finance Law Offices</b><br>27C Shenzhen Te Qu Bao Ye Building<br>6008 Shennan Road<br>Shenzhen<br>518034, The PRC<br><br><i>As to Cayman Islands law:</i><br><b>Conyers Dill &amp; Pearman</b><br>Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands |
| <b>Legal advisers to the Sole Sponsor and the Underwriters</b> | <i>As to Hong Kong law:</i><br><b>Orrick, Herrington &amp; Sutcliffe</b><br>43rd Floor, Gloucester Tower<br>The Landmark<br>15 Queen's Road Central<br>Hong Kong                                                                                                                                                                                                                                                                                                    |
| <b>Auditors and reporting accountant</b>                       | <b>PricewaterhouseCoopers</b><br><i>Certified Public Accountants</i><br>22nd Floor, Prince's Building, Central<br>Hong Kong                                                                                                                                                                                                                                                                                                                                         |
| <b>Compliance adviser</b>                                      | <b>VBG Capital Limited</b><br>18th Floor, Prosperity Tower<br>39 Queen's Road Central<br>Hong Kong                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Independent industry consultant</b>                         | <b>Euromonitor International Limited</b><br>60–61 Britton Street<br>London<br>EC1M 5UX                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Receiving bank</b>                                          | <b>The Bank of East Asia, Limited</b><br>10 Des Voeux Road Central<br>Hong Kong                                                                                                                                                                                                                                                                                                                                                                                     |

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## CORPORATE INFORMATION

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|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Registered office</b>                        | Cricket Square, Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands                                                                                                                                                                           |
| <b>Principal place of business in Hong Kong</b> | Unit A, 35/F., EGL Tower<br>83 Hung To Road, Kwun Tong<br>Kowloon, Hong Kong                                                                                                                                                                                         |
| <b>Company's website</b>                        | <b><u>www.AL-Grp.com</u></b><br><i>(Note: The contents in the website of our Company do not form part of this prospectus)</i>                                                                                                                                        |
| <b>Company secretary</b>                        | Mr. Ng Chit Sing, <i>HKICS, ICSA</i><br>Rooms 802–804, 8/F.<br>Kin Wing Commercial Building<br>24–30 Kin Wing Street<br>Tuen Mun, New Territories<br>Hong Kong                                                                                                       |
| <b>Authorised representatives</b>               | Mr. Yau Chung Ping<br>House C11, 380 Hiram's Highway<br>Marina Cove, Hebe Haven<br>Sai Kung, New Territories<br>Hong Kong<br><br>Ms. Sz Kit<br>Flat RA, 12/F., Tower 2, R Wing (Sunflower)<br>Le Prestige, Lohas park<br>Tsueng Kwan O, New Territories<br>Hong Kong |
| <b>Compliance officer</b>                       | Mr. Yau Chung Ping<br>House C11, 380 Hiram's Highway<br>Marina Cove, Hebe Haven<br>Sai Kung, New Territories<br>Hong Kong                                                                                                                                            |
| <b>Audit committee</b>                          | Ms. Lee Hau Yan, Hannah ( <i>Chairlady</i> )<br>Mr. Neo Sei Lin, Christopher<br>Mr. Lau Chun Wah, Davy                                                                                                                                                               |

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## CORPORATE INFORMATION

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| <b>Remuneration committee</b>                                              | Mr. Neo Sei Lin, Christopher ( <i>Chairman</i> )<br>Mr. Yau Chung Ping<br>Ms. Lee Hau Yan, Hannah                                         |
| <b>Nomination committee</b>                                                | Ms. Wu Kar Wai ( <i>Chairlady</i> )<br>Mr. Neo Sei Lin, Christopher<br>Mr. Lau Chun Wah, Davy                                             |
| <b>Principal share registrar and transfer office in the Cayman Islands</b> | <b>Codan Trust Company (Cayman) Limited</b><br>Cricket Square, Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands |
| <b>Hong Kong branch share registrar and transfer office</b>                | <b>Tricor Investor Services Limited</b><br>Level 22, Hopewell Centre<br>183 Queen's Road East<br>Hong Kong                                |
| <b>Principal banker</b>                                                    | <b>Wing Lung Bank</b><br>G/F., 123 Woo Sung Street<br>Jordan, Kowloon<br>Hong Kong                                                        |

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## INDUSTRY OVERVIEW

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*Unless otherwise indicated, the information presented in this section is derived from the Euromonitor Report prepared by Euromonitor, which was commissioned by us and is prepared primarily as a market research tool intended to reflect estimates of market conditions based on publicly available sources and trade opinion surveys. References to Euromonitor should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. Our Directors have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information prepared by Euromonitor and set out in this Industry Overview has not been independently verified by our Group, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer or their respective directors, officers, employees, advisers and agents, and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.*

### EUROMONITOR REPORT

We commissioned a report from Euromonitor to conduct an analysis of, and to report on, the office interior design services market in Hong Kong. A total fee of US\$47,850 (equivalent to approximately HK\$368,764) was paid to Euromonitor for the preparation of the report.

Established in 1972, Euromonitor is the world leader in strategy research for both consumer and industrial markets. The report of Euromonitor has been compiled after thorough and diligent research conducted by Euromonitor's Singapore Office. The market research process was undertaken through top-down central research and bottom up intelligence to present a comprehensive and accurate picture of the office interior design services market in Hong Kong. Euromonitor's detailed primary research involved:

- Secondary research, which involved reviewing published sources including National statistics and official sources such as Census and Statistics Department of Hong Kong, International Monetary Fund, specialist trade press and associations such as Hong Kong Interior Design Association (the “**HKIDA**”), company reports including audited financial statements where available, and independent research reports.
- Primary research which involved interviews with a sample of leading industry participants and industry experts, and surveys with industry players for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates.
- Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.
- Review and cross-checks of all sources and independent analysis to build final estimates including the size, shape, drivers and future trends of the office interior design services market and prepare the final report.

With both primary and secondary research in place, Euromonitor has utilised both types of sources to validate all data and information collected, with no reliance on any single source. Furthermore, a test of each respondent's information and views against those of others is applied to ensure reliability and eliminate bias from these sources.

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## INDUSTRY OVERVIEW

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### FORECASTING BASES AND ASSUMPTIONS

The Euromonitor Report is prepared with the following assumptions:

- The Hong Kong economy is expected to maintain steady growth over the forecast period;
- The Hong Kong social, economic, and political environment is expected to remain stable in the forecast period;
- There will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of office interior design services in Hong Kong during the forecast period;
- Key market drivers including new developments of private offices and greater appreciation of office interior design by companies are currently driving market growth and are expected to boost the future development of the office interior design services market in Hong Kong.

The research results may be affected by the accuracy of these assumptions and the choice of these parameters. The market research was completed in February 2016 and all statistics in the Euromonitor Report are based on information available at the time of reporting. Euromonitor's forecast data comes from analysis of historic development of the market, the economic environment and underlying market drivers, and is cross-checked against established industry data and trade interviews with industry experts.

On these bases, our Directors and the Sole Sponsor are satisfied that the forecasts and industry data disclosed in this section are not misleading.

Our Directors confirm that, after taking reasonable care, there is no material adverse change in the market information since the issue date of the abovementioned sources which may qualify, contradict or have adverse impact on the information in this section.

### MACROECONOMIC ENVIRONMENT IN HONG KONG

#### **Hong Kong's economy continues to grow, but growth rates remain sluggish**

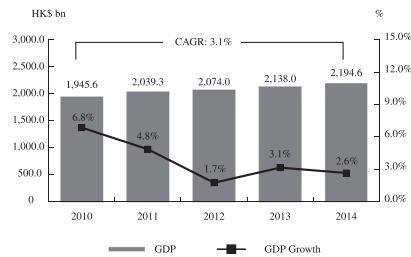
Hong Kong's GDP expanded by 2.6% in 2014, a slowdown from the 3.1% GDP growth rate recorded in 2013 (Chart 1). A significant contraction in demand for Hong Kong's imports from PRC was the main reason for this slowdown in Hong Kong's economy. Throughout 2010 to 2014, Hong Kong's economy grew by a CAGR of 3.1% and the annual GDP growth has been positive, with 2010 and 2011 being years of rapid expansions as the economy rebounded strongly from the global financial crisis. This recovery stalled in 2012 as a debt crisis flared up yet again across Europe, unsettling investors amidst a still-fragile recovery of major economies worldwide, and consequently hurting global demand for Hong Kong's exports. As a result, GDP growth slowed to 1.7% in 2012, before recovering its breath to grow by 3.1% in 2013.

Hong Kong's services industries, including logistics and tourism, have traditionally been the main drivers of the Hong Kong economy. Healthcare, education and creative industries also performed well and are expected to support GDP growth over 2015 to 2019. However, PRC's economic slowdown as well as weakening global demand creates macroeconomic conditions expected to persist over the short to medium term, resulting in declining exports and retail sales from 2010 to 2014. Domestic turmoil such as the "Occupy Movement" (pro-democracy protests) is also expected to exert more downward pressure on Hong Kong's economic growth over 2015 to 2019.

Correspondingly, Hong Kong's economy is projected to grow by a CAGR of 2.9% over the 2015 through 2019 forecast period, based on estimates from the International Monetary Fund (IMF) (Chart 2).

## INDUSTRY OVERVIEW

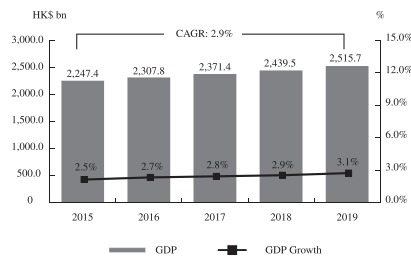
**Chart 1. GDP in Hong Kong, 2010–2014 Historic**



Source: Census and Statistics Department, Hong Kong

Note: All data above are reported in constant terms

**Chart 2. GDP in Hong Kong, 2015–2019 Forecast**



Source: International Monetary Fund (IMF)

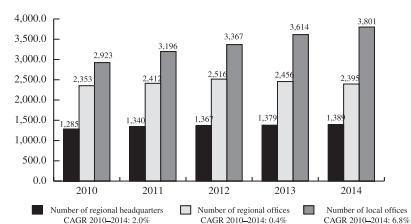
Note: All data above are reported in constant terms

## DEVELOPMENT OF PRIVATE OFFICES IN HONG KONG

### Local offices mostly comprised of offices of companies in Hong Kong representing parent companies located outside Hong Kong

In 2014, there were 7,585 companies in Hong Kong representing parent companies located outside of Hong Kong (Chart 3). Among such 7,585 companies, 50.1% were local offices, which the Census and Statistics Department of Hong Kong defines as “offices that only take charge of the business in Hong Kong (but nowhere else) on behalf of its parent company located outside Hong Kong.” Such offices also expanded at the fastest pace, growing by a CAGR of 6.8% over the review period from 2,923 of such offices back in 2010. Regional headquarters and regional offices numbered only 1,389 and 2,395 units in 2014, accounting for 49.9% of the total number of companies in Hong Kong representing parent companies located outside Hong Kong.

**Chart 3. Number of Companies in Hong Kong Representing Parent Companies Located Outside Hong Kong, 2010–2014**



Source: Census and Statistics Department, Hong Kong

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## INDUSTRY OVERVIEW

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### From 2010 to 2014, office completion, vacancy and take-up space decline, but stock increases

Overall, office completion, vacancy and take-up spaces reflect negative CAGRs from 2010 to 2014 (Table 1). Stock of private offices reached over 11 million square meters in 2014, showing a positive CAGR of 0.9% through 2010 to 2014.

**Table 1 Developments of Private Offices in Hong Kong, 2010–2014**

| square meter                           | 2010         | 2011         | 2012         | 2013         | 2014         | CAGR<br>2010–2014 |
|----------------------------------------|--------------|--------------|--------------|--------------|--------------|-------------------|
| Completions of private offices (Total) | 124,100.0    | 155,200.0    | 135,700.0    | 122,700.0    | 103,600.0    | –4.4%             |
| Stock of private offices (Total)       | 10,689,000.0 | 10,782,100.0 | 10,891,100.0 | 10,983,200.0 | 11,060,700.0 | 0.9%              |
| Vacancy of private offices (Total)     | 859,700.0    | 700,300.0    | 652,400.0    | 764,300.0    | 692,900.0    | –5.2%             |
| Take-up of private offices (Total)     | 339,100.0    | 285,400.0    | 181,600.0    | –17,100.0    | 153,400.0    | –18.0%            |

*Source: Rating and Valuation Department of Hong Kong*

## OFFICE INTERIOR DESIGN SERVICE MARKET IN HONG KONG

### Market Overview

#### *Office interior design services market in Hong Kong is serviced by general interior design firms*

The office interior design services market in Hong Kong has a specialised focus in designing and outfitting office space based on customer preferences in a suitable manner while meeting safety requirements, and requirements imposed by the building in which the office is located. This market differs from other interior design services markets such as those for residential or commercial spaces as design and space utilisation considerations are also different. Residential interior design involves design and fit-out services of personal space such as the entire house, or sections of it, such as kitchen and bedroom and typically caters to desires and interests of a specific individual. Commercial interior design for customers operating in the retail or hotel industries for instance keep in mind the preferences of a larger group of individuals with a view to encouraging repeat visits.

Office interior design services tend to be offered by general interior design firms which, at many times, also offer other interior design services such as for residential and commercial interior design services. That being said, interior design firms can also have a stronger focus on either residential, commercial, or office interior design.

#### *Entry barriers is low, but it is important to build a good reputation for long-term success*

The barriers of entry to the office interior design services industry in Hong Kong is low and with no specific regulation standards. With the industry being service-focused, the initial capital outlay required is not very significant. Furthermore, many key activities for office interior design services can be outsourced to third party contractors with specialised knowledge or skillsets. Such activities that can be outsourced to third party contractors include fit-out, wall brushing and pathing of electricity network, painting etc.

However, reputation is an important factor when it comes to choosing office interior design companies and will take time for newly entering businesses to build. Some corporations will have certain criteria that they take into consideration when looking for interior design service providers, e.g. timing, creativity and budget. For instance, projects that are carried out by office interior service companies can result from referrals based on previous jobs performed. It can be challenging for new businesses to gain credibility at first, an entry barrier that will be crucial to overcome for long-term success.

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## INDUSTRY OVERVIEW

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### ***Compressed value chain structure for office interior design services market***

The value chain for office interior design services is rather compressed, with few layers of intermediaries between service providers and consumers. Clients can be referred to office interior design service providers by any property agent, but it is not uncommon for clients to approach such providers directly through walk-ins or through word-of-mouth and references. Word-of-mouth plays a strong role in the industry, with many clients preferring to approach interior design firms recommended by their business associates or personal network.

### ***Most office interior design firms provides a one-stop service centre for clients***

The business models of most office interior design service providers are similar across the industry. Firstly, by project type, a majority of the companies who provide interior design services for the office space also do so for the residential and commercial space. The extent to which these companies focus on the different segments will vary.

By types of services provided by interior design companies, most of the established office interior design companies offer a one-stop service centre for clients where both design and fit-out services offices can be obtained through an integrated package. However, depending on client preference, office interior design companies can provide just the design services. When interior design service companies carry out the role as one-stop service centres, fit-out services can sometimes be carried out with the help of third party contractors. Nonetheless, a significant proportion of the clients usually opt for interior design companies to perform both the designing and fitting-out of offices as it is more convenient for them, alleviating the burden that is caused when having to deal with multiple parties.

### ***Referrals and recurring customers based on reputation and credibility is key***

There are various factors that customers consider when deciding on office interior design companies. Important considerations include price, design aesthetics, efficiency of the services provided and reputation. Some customers have general design styles and ideas in mind and from there seek companies that are able to provide the services within a particular price range and are known for such design aesthetics. The decision making process for other customers can be different.

There are various ways on how office interior design service providers can obtain projects. Companies can reach out to potential clients by making cold calls. Reversely, clients can reach out to the office interior design companies through desk research or referrals by property agents and existing customers. The reputation and credibility of an interior design firm is one of the most important factors as many office interior design projects are contracted based on referrals or recurring customers.

### ***Average contract value for typical office interior design projects range around HK\$1 million to HK\$2 million***

Average contract values for office interior design services vary according to the scope and complexity of the project at hand. Based on discussions conducted with industry participants, in general, the average contract value for a standard office interior design project typically ranges from HK\$1 million to HK\$2 million. Sometimes, office interior design projects can also cost up to around HK\$3 million to HK\$4 million. While there can be larger scale projects covering extensive office spaces across multiple floors, such projects are not so common in Hong Kong.

### ***Office interior design services experienced stable growth during the review period***

The customer value spend on overall office interior design services in Hong Kong recorded HK\$2,780.4 million in the 2014, reflecting a CAGR of 5.1% from 2012 to 2014 (Chart 4). The overall office interior design services market's growth rate in 2014 alone was 4.8%, a slightly slower growth rate than 5.3% in 2013. This was attributed to the decline in the growth rate of the number companies in Hong Kong representing parent companies located outside Hong Kong in 2014.

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## INDUSTRY OVERVIEW

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Nonetheless, the annual growth rate remains relatively stable as leasing and sales activities remain more consistent in comparison to the residential interior design services industry where demand is highly dependent on the volatile residential property market. The positive growth during the review period has been attributed to factors such as the growing number of conversions of industrial buildings to offices and the increase in the number of mainland Chinese companies entering the Hong Kong market.

### ***Forecasted growth rates to remain positive***

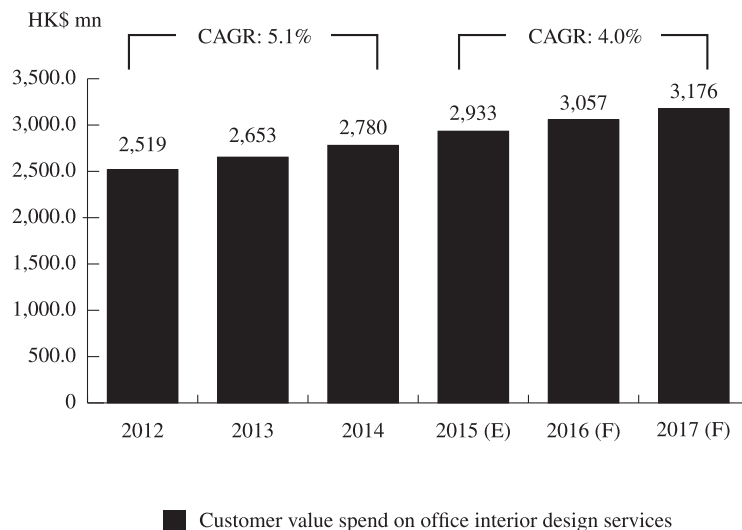
The office interior design services industry in Hong Kong is expected to maintain a stable and positive outlook. The customer value spend on office interior design services in Hong Kong is projected to continue increasing at a CAGR of 4.0% over the next three years, reaching approximately HK\$3,175.7 million in 2017 (Chart 4).

The slightly lower growth rates are expected during the forecast period compared to the historic growth rates as Hong Kong's economy will continue to experience slow down as PRC's economy decelerates. In addition, political tensions between Hong Kong and mainland China are expected to affect market sentiments impacting businesses' decisions to invest in office interior design projects.

### ***Overall, a positive outlook for the office interior design services market for the upcoming years***

Despite the slower economy and concerns about social stability, the overall outlook for the office interior design services industry of Hong Kong remains positive. It is expected that companies, global banks in particular, will continue to restructure and downsize offices. With rising office space rental prices, businesses will be motivated to look for ways to cut cost including more efficient space utilization and to relocate to decentralized locations with cheaper rents such as Kowloon East area where a growing number of industrial buildings are being converted to office spaces. This, however, does not mean that demand for office interior design services in the Central district will face decline as mainland Chinese companies will continue to seek for office space in prime locations.

**Chart 4. Office Interior Design Services Market in Hong Kong, 2012–2017**



*Source: Euromonitor estimates from trade interview with relevant industry sources, associations and interior design companies, surveys with interior design companies, and desk research*

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## INDUSTRY OVERVIEW

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### *Recent downturn of the Hong Kong's property market*

Hong Kong's property market has been showing a downward trend since mid-2015. Based on the Land Registry of Hong Kong, the overall number of sale and purchase agreements of residential and non-residential units declined to 76,159 in 2015, a 6.5% decline compared to 81,489 in 2014. In February 2016, 2,583 sale and purchase agreements of residential and non-residential building units were made, a significant drop from the 8,060 units in February 2015. Factors that have led to the downturn include PRC's economic slowdown and the increase in housing supply.

While the overall Hong Kong property market showed signs of slowing down, the office property market, in terms of office space completed, moved in the opposite direction. The completion spaces of private offices are forecasted to grow at a CAGR of 18.6% from 2015 to 2017, with the main source of supply coming from the Kowloon and Kwun Tong area. 199,000 square meter is expected to be completed in 2016 and 232,000 square meter in 2017 (Table 2).

**Table 2. Developments of Private Offices in Hong Kong, 2015–2017**

| square meter                           | 2015    | 2016F   | 2017F   | CAGR<br>2015–2017 |
|----------------------------------------|---------|---------|---------|-------------------|
| Completions of private offices (Total) | 165,000 | 199,000 | 232,000 | 18.6%             |
| Take-up of private offices (Total)     | 27,000  | N/A     | N/A     | N/A               |
| Vacancy of private offices (Total)     | 899,000 | N/A     | N/A     | N/A               |

*Source:* Rating and Valuation Department of Hong Kong

*Note:* Forecast figures for take-up and vacancy are unavailable

### **Raw Material Cost**

#### *Labour and raw material costs dominate operational costs for office interior design companies*

Labour and raw material costs are the two most significant cost components of office interior design companies' operational costs. Both labour and raw material costs are relatively high in Hong Kong, and have continuously been rising over the period from 2012 to 2014. In particular, a lack of labour and strong competition for available workers force companies to offer higher wages to obtain sufficient manpower to take on projects, which can substantially raise their operating costs over time.

## INDUSTRY OVERVIEW

### *Average wholesale prices of most raw materials rose over the review period*

The average wholesale prices of most raw materials used for design and fit-out rose in Hong Kong over the period from 2012 to 2014 review period. In particular, glazed ceramic wall tiles, mosaic tiles and hardwood experienced the highest price increases over this period (Table 23).

Glazed ceramic wall tiles which are white in colour which cost HK\$127.2 per 100 piece in 2010, saw its price increase by a CAGR of 5.7% over the period 2012–2014 to reach HK\$210.8 per 100 piece in 2014. Unglazed mosaic tiles also experienced a significant price increase at a CAGR of 12.6%, from HK\$58.9 per unit in 2010 to HK\$90.2 per unit in 2014.

**Table 23. Average Wholesale Prices of Key Raw Materials used for Design and Fit-out in Hong Kong, 2012–2014**

|                                                 | 2012     | 2013     | 2014     | CAGR<br>2010–2014 |
|-------------------------------------------------|----------|----------|----------|-------------------|
| Glass (HK\$ per square meter)                   |          |          |          |                   |
| <i>Clear sheet glass, 5mm thick</i>             | 129.3    | 139.5    | 147.3    | 2.0%              |
| Glazed ceramic wall tiles (HK\$ per 100 piece)  |          |          |          |                   |
| <i>White tiles, 108mm x 108mm</i>               | 127.2    | 175.3    | 210.8    | 5.7%              |
| <i>Colour tiles, 200mm x 200mm</i>              | 270.0    | 293.3    | 375.8    | 3.1%              |
| Hardwood (HK\$ per cubic meter)                 |          |          |          |                   |
| <i>Sawn hardwood, 50 x 75mm column</i>          | 3,772.0  | 5,043.3  | 5,547.9  | 0.7%              |
| Homogeneous floor tiles (HK\$ per square meter) |          |          |          |                   |
| <i>Non-slip tile, 200mm x 200mm</i>             | 146.0    | 150.8    | 152.3    | 2.4%              |
| Mosaic tiles (HK\$ per unit)                    |          |          |          |                   |
| <i>Unglazed tiles, 18mm x 18mm</i>              | 58.9     | 77.6     | 90.2     | 12.6%             |
| <i>Glass tiles, 25mm x 25mm</i>                 | 31.0     | 33.7     | 43.0     | 7.8%              |
| <i>Glazed tiles, 45mm x 45mm</i>                | 86.8     | 101.1    | 116.6    | 6.1%              |
| Paint (HK\$ per unit)                           |          |          |          |                   |
| <i>Emulsion paint</i>                           | 38.0     | 43.3     | 47.8     | 4.3%              |
| <i>Acrylic paint</i>                            | 39.4     | 44.4     | 48.4     | 0.6%              |
| Portland cement (ordinary) (HK\$ per tonne)     | 612.7    | 671.3    | 690.3    | 2.2%              |
| Timber formwork (HK\$ per unit)                 |          |          |          |                   |
| <i>Plywood, formwork, 19mm thick</i>            | 65.6     | 70.2     | 71.3     | 2.5%              |
| <i>Sawn hardwood, 25mm thick plank</i>          | 3,068.5  | 3,307.8  | 3,580.3  | 3.2%              |
| PVC pipes (HK\$ per number)                     |          |          |          |                   |
| <i>32 mm diameter pipes, 4m long</i>            | 45.8     | 51.6     | 54.3     | 1.2%              |
| Galvanised mild steel (HK\$ per tonne)          |          |          |          |                   |
| <i>Steel plates</i>                             | 8,095.8  | 8,939.5  | 9,015.3  | 2.8%              |
| <i>Steel angles</i>                             | 11,336.8 | 12,163.9 | 12,010.6 | –0.1%             |
| <i>Steel flats</i>                              | 9,353.2  | 10,076.3 | 10,060.3 | 1.0%              |

*Source: Euromonitor's estimates, Census and Statistics Department, Hong Kong*

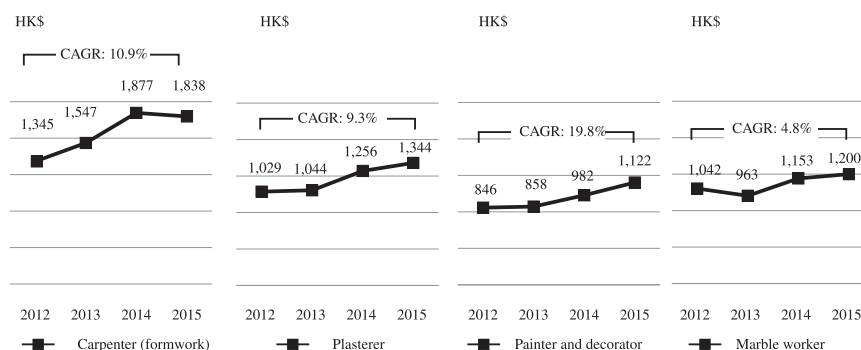
### **Labour Cost**

#### *Wages for skilled workers employed in office interior design rose significantly*

The average daily salaries for skilled workers in Hong Kong experienced significant increases over the period from 2012 to 2015 (Chart 5). For example, daily salaries for carpenter grew by a CAGR of 10.9% from HK\$1,345.4 in 2012 to reach HK\$1,837.5 in 2015. Those for plasterers grew by a CAGR of 9.3% from 2012 through 2015 to reach HK\$1,343.6 in 2015. This increase in salaries was a reflection of the limited pool of labour available in the market.

## INDUSTRY OVERVIEW

**Chart 5. Average Daily Salaries for Skilled Workers in Hong Kong, 2012–2015**



Source: Census and Statistics Department, Hong Kong

### *Drivers for the office interior design services market*

- *Increasing conversion of industrial buildings to commercial offices boosting demand*

Hong Kong's economy has been steadily shifting away from industrial activities to service activities. This has seen a greater number of industrial buildings in Hong Kong become vacant as demand for such industrial spaces declines. As a result, vacant industrial buildings in areas such as Kowloon East are being converted to offices and commercial spaces and being leased out at relatively lower rates. Such redevelopment gained traction especially since 2009. Such work tends to demand significant quantities of office interior design work, and have helped to boost demand in the market for such office interior design services as well. With the government's efforts to establish Kowloon East as a major new business district, such shift will continue to drive the office interior design services market of Hong Kong.

- *Growing awareness of the relationship between office interior design and corporate branding*

In recent years, corporate branding has become an important strategy to enforce a business's position and image. A growing number of firms in Hong Kong are realizing that office interior design is also a part of how people, whether the public or the company's existing or prospective stakeholders and employees, perceive a company. Hence, the demand for more sophisticated, stylish and higher-quality office interior has contributed to the growth of the office interior design market of Hong Kong.

- *Influx of newly opened companies from China driving demand for office interior design services*

Since 2011, there has been a significant growth in the number of mainland Chinese companies opening offices in Hong Kong in order to take advantage of Hong Kong's liberal business environment and position as a gateway to financial markets worldwide. In fact, according to the Census and Statistics Department of Hong Kong, the cumulative number of the mainland Chinese firms in Hong Kong reached 957 in June 2014, a 6.2% growth compared to the previous year. In June 2015, there were 1,091 Chinese offices in Hong Kong, reflecting a 14.0% growth from 2014. This increase in the number of companies from mainland China wishing to set up an office in Hong Kong has helped to drive demand for office interior design services in Hong Kong, with industry sources reporting that such PRC-based companies forming a significant portion of their clientele.

### *Trends for the office interior design services market*

- *More educated customers increasingly demanding for environmentally-friendly and sustainable office designs*

Going green and carrying out environmentally friendly practices have becoming increasingly popular across various industries. This is no exception to the office interior design services market of Hong Kong. Customers are becoming increasingly aware the benefits of going green. It is not only beneficial to a company's overall image but can be more cost-saving and sustainable for a business in the long run. Examples of such movement include the use of energy efficient lighting products and simple and long lasting building material that can be reused that make it not only cost beneficial when it comes to relocation, but also minimize waste.

- *Increasing digitisation changing office interior design requirements*

Technological progress and increasing digitisation have progressively changed how office space is being used, and this has influenced space allocation requirements and specifications in office interior design as well. The acceleration of digitisation has certainly shifted business progresses, whereby less space is now required for the physical storage of files, folders or other hardcopies, whereas more space now needs to be designed specifically to cater for more computer servers, desktops, laptops and peripherals.

- *More clients requesting for modular office designs with removable/reusable parts*

With office leases becoming more expensive as well as being shorter in duration, clients are increasingly demanding office interior designs that promote more efficient office space management. Examples include the use of more modular office interior designs incorporating components which are removable and reusable, office cubicles which can be dismantled and reassembled at another office space, etc. These measures help to save costs and reduce losses when offices move to another location.

### *Constraints facing the office interior design services market*

- *High office rentals and uncertain lease lengths reduce consumers propensity to spend on better designs*

High office rentals in Hong Kong mean that companies typically have less resource to spend on high-quality office interior designs. Furthermore, the short and uncertain leases of office spaces also means that consumers are reluctant to spend additional resources to pay for a more upscale and higher quality design for office interiors, and instead focus on cost-savings and reusability instead. This results in an artificial constraint on demand for more complex and higher-quality office interior design projects.

- *High material and labour costs*

Raw material as well as labour costs are not only high in Hong Kong, but have been increasing throughout 2012 to 2014. The office interior design services industry is one which is heavily reliant on labour, and Hong Kong's tight supply of labour has led to the increase in labour costs. Ultimately, this has contributed to the rise in operation costs, imposing constraints on office interior design service providers.

- *Small market size in Hong Kong restricts opportunities for growth*

The small market size for office interior design work in Hong Kong have constrained opportunities for growth, especially in a fiercely competitive industry with little-to-no barriers to entry. This has resulted in increasingly lower profit margins for local projects, forcing companies to look abroad for new growth opportunities where few such opportunities exist in Hong Kong.

### Competitive Landscape

#### *Hong Kong's interior design industry remains highly fragmented*

Based on discussions conducted with various interior design service providers and the HKIDA, it is estimated that there are more than 7,000 interior designers and 1,000 interior design companies in Hong Kong in 2014. The number of interior designers and interior design companies has remained relatively stable throughout the years.

Due to the lack of useful information to determine the revenues of the top five interior design companies in Hong Kong within the office interior design segment, the ranking and shares are not provided in the Euromonitor Report.

#### *Fragmented and competitive market for office interior design services in Hong Kong*

The office interior design services market in Hong Kong is highly fragmented and competitive, with approximately 1,000 interior design firms offering office interior design services. The fragmented market is a reflection of the lack of barriers of entry to the interior design industry, where not much capital is required to start-up an interior design firm, and certain work can be outsourced to subcontractors where necessary.

Based on data provided by the Group and Euromonitor's own industry estimates, AL Design & Associates' revenue accounts for approximately 1.5% (2014) of Hong Kong's office interior design market size.

#### *Increase in competition from players originating from mainland China*

With intensifying competition, Hong Kong office interior design companies have been seeking projects in mainland China to generate higher revenues. However, in recent years, many new office interior design companies have emerged in the mainland Chinese market, offering services at cheaper prices and competitive quality. In addition, mainland Chinese office interior design companies have been entering the Hong Kong market as well, creating more competition.

#### *Creating competitive advantage through differentiation is the key to long term success in the competitive market*

As a result of low entry barriers, many new office interior design businesses are entering the market in Hong Kong. However, successfully establishing the business and obtaining long term success is difficult because it is challenging to retain and newly attract a stable base of customers as the industry is largely driven by credibility and a positive track record. Office interior design companies in Hong Kong strive to differentiate themselves with competitors through aspects such as price, design aesthetics and efficiency of the services provided in order to stand out in the highly competitive market.

#### *Expansion of business portfolios may present opportunities for growth*

Due to the competitive nature of the industry, interior design firms continue to seek ways to expand and differentiate themselves from other players. There have been interior design companies in Hong Kong who have added product and furniture design services as part of their portfolio. Examples of products and furniture pieces that can be designed include décor, wall paper, tables and chairs.

That being said, it would require necessary skills and resources in order for an interior design company to expand its business to offering product and furniture design services. Therefore, the more established interior design companies with the capabilities have typically been the companies moving in this direction. Such expansion can present potential opportunity for interior design service providers and they are a natural fit within the core value of offering design services.

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## INDUSTRY OVERVIEW

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### Hong Kong's furniture industry

#### *Fragmented landscape for design services while manufacturing and imports present a more consolidated scene*

The furniture industry in Hong Kong is fragmented. While specialised suppliers of home and office furniture exist in Hong Kong, it is not uncommon for companies to provide furniture and fixtures for a variety of industries.

The interior and furniture design services industry represented a highly fragmented landscape with 2,060 companies offering these services as of 2014. The number of establishments importing furniture and fixtures for wholesale were fewer in comparison with 540 establishments such operating in the industry in 2014. As with overall manufacturing activities in Hong Kong, the number of establishments involved in manufacturing operations were the fewest with 150 establishments involved in manufacture of wooden, metal and other furniture and fixtures (Table 4).

**Table 4. Companies Operating in Furniture Business in Hong Kong, 2012–2015**

|                                                                                             | 2012  | 2013  | 2014  | 2015 | CAGR<br>2012–2015 |
|---------------------------------------------------------------------------------------------|-------|-------|-------|------|-------------------|
| Establishments engaged in interior and furniture design services                            | 1,790 | 1,980 | 2,060 | N/A  | —                 |
| Establishments engaged in the manufacture of wooden, metal and other furniture and fixtures | 140   | 140   | 150   | N/A  | —                 |
| Establishments engaged in import for wholesales of furniture and fixtures                   | 580   | 560   | 540   | N/A  | —                 |

*Source: Census and Statistics Department, Hong Kong*

*Note: Data for 2015 is not available*

#### *Consumer desire to improve lifestyle drives growth for home furniture*

Home furniture retail sales recorded a steady growth of 5.4% CAGR during the 2012-2014 review period to reach HK\$8,855 million in 2014. Improved disposable incomes saw consumers being more willing to invest in high-quality home furniture, improving their overall quality of life in the process. Consumers were willing to invest in products that were sophisticated in design and made of premium material in the pursuit of a quality lifestyle. As a result, the demand for premium branded products increased and boosted unit price.

Home furniture sales is expected to post a steady current value growth of 4.2% over the 2015–2017 forecast period (Table 4). Consumers are expected to be remain willing to invest in premium home furniture to improve their lifestyle quality. That said the property market is expected to cool

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## INDUSTRY OVERVIEW

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down in 2016 and 2017 and consumers are expected to wait for the bottoming out of the property market before going in. This may take some of the sheen away from the home furniture market and counter balance the steady growth expected in the forecast period.

**Table 5. Home Furniture Market in Hong Kong, 2012–2017**

| HK\$ mn        | 2012    | 2013    | 2014    | 2015E   | 2016F   | 2017F    | CAGR<br>2012–2014 | CAGR<br>2015–2017 |
|----------------|---------|---------|---------|---------|---------|----------|-------------------|-------------------|
| Home Furniture | 7,973.6 | 8,444.1 | 8,855.3 | 9,241.0 | 9,645.5 | 10,033.7 | 5.4%              | 4.2%              |

*Source: Euromonitor International Passport — Home and Garden 2016 edition*

### ***10% of all furniture imports were of office furniture***

Imports of office furniture stood at HK\$633.8 million, with imports declining by 1.3% CAGR during the period 2012–2015 (Table 6). Office furniture accounted for 10% of all furniture imports in 2015. As with overall furniture, PRC was the main supplier office furniture to Hong Kong accounting for 81% of imports in 2015. The other major countries from which office furniture were imported were the US and Italy.

Apart from functional aspects and fit with the overall corporate profile, customers are increasingly pay due attention to design, ergonomics, eco-consciousness and the quality of raw materials which are used. Unlike fixed workstations, corporate customers are also seeking the need for furniture for break-out and ideation sessions, recreational spaces etc., thereby pushing suppliers in terms of the range of products that are offered.

**Table 6. Import of Office Furniture\* to Hong Kong, 2012–2015**

| HK\$ mn                             | 2012  | 2013  | 2014  | 2015  | CAGR<br>2012–2015 |
|-------------------------------------|-------|-------|-------|-------|-------------------|
| Import (in CIF) of office furniture | 659.3 | 675.5 | 655.1 | 633.8 | –1.3%             |

*Source: Census and Statistics Department, Hong Kong*

### ***Sales through retail outlets declines over 2012–2015***

Sales receipts through furniture and fixtures outlets in Hong Kong declined at a CAGR of 1.4% during 2012–2015 to reach HK\$7,171 million in 2015 (Table 7). A steady decline in sales through such outlets were observed year-on-year during the review period.

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## INDUSTRY OVERVIEW

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**Table 7. Retail sales through Furniture and Fixtures Outlets in Hong Kong, 2012–2015**

| HK\$ mn      | 2012  | 2013  | 2014  | 2015  | CAGR<br>2012–2015 |
|--------------|-------|-------|-------|-------|-------------------|
| Retail sales | 7,471 | 7,315 | 7,306 | 7,171 | –1.4%             |

*Source: Census and Statistics Department, Hong Kong*

### **The residential and commercial design service market in Hong Kong**

#### ***Competitive landscape***

The interior design industry in Hong Kong comprises of various segments such as residential (private and developer), commercial, offices, hospitality, exhibition and display and public facilities. Most companies operating in the industry are involved in offering design services for more than one type of project as this helps to lower the risk of a company where one of the sector (e.g. residential for instance) witnesses a downward trend, the company can balance their overall revenue with the revenue generated from the other sectors.

Interior design firms in Hong Kong provide one or more services such as design, planning, project management and fit-out. The interior design firms can offer only design services or function as a one-stop shop by offering design and fit-out facilities, with the latter service typically being sub-contracted.

While price is a key consideration for residential customers' especially individual customers, it is not the most important consideration for private developers, office or commercial customers when choosing an interior design supplier. In the latter cases, a strong understanding of the needs of customer, quick turnaround and reliable and prompt delivery are more important factors.

The interior design industry in Hong Kong is not regulated and hence the barriers to entry to the industry are low. Based on interviews conducted with various interior design service providers and the Hong Kong Interior Design Association (HKIDA), it is estimated that there are more than 7,000 interior designers and 1,000 interior design companies in Hong Kong in 2014.

Based on Euromonitor's discussion with the HKIDA and the various players operating in the interior design industry in Hong Kong, the commercial and residential interior design industry much like the office interior design industry is extremely fragmented.

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## REGULATORY OVERVIEW

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### REGULATORY REQUIREMENTS IN HONG KONG

We are an interior design and fit out solutions provider with the fit out works performed by our designated subcontractors based in Hong Kong. As at the Latest Practicable Date, there was no statutory or mandatory licensing and qualification system governing the provision of interior design solutions.

Below sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to our Group's operations and business:

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

The Mandatory Provident Fund Scheme is a defined contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance provides that an employer shall participate in the Mandatory Provident Fund Scheme and make contributions for its employees aged between 18 and 65. Under the MPF Scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month or HK\$360,000 per year.

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

A principal contractor and a superior subcontractor are subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractors jointly and severally. Such liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor and/or superior subcontractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for two months without any deductions under the Employment Ordinance (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date.

A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

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## REGULATORY OVERVIEW

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Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at currently at up to HK\$50,000.

Pursuant to Section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under Section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be.

The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

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

According to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years.

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## REGULATORY OVERVIEW

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According to Section 48 of the Employees' Compensation Ordinance, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the Employees' Compensation Ordinance) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

### **Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)**

With effect from 1 May 2015, the Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate at HK\$32.5 per hour for every employee employed under the Employment Ordinance (Chapter 57 of the laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

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

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premise to take reasonable care of the premise in all circumstances so as to ensure that his visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

### **Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)**

The Trade Descriptions Ordinance aims to protect customers against unfair trade practices by regulating businesses to sell products and services in a truthful manner. It prohibits false trade descriptions in respect of services supplied in the course of trade.

Section 2 of the Trade Descriptions Ordinance provides, *inter alia*, that "trade description" in relation to services means an indication, direct or indirect, and by whatever means given, with respect to the service or any part of the service including an indication of any of the matters — nature, scope, quantity (including the number of occasions on which, and the length of time for which, the service is supplied or to be supplied), standard, quality, value or grade; fitness for purpose, strength, performance, effectiveness, benefits or risks; method and procedure by which, manner in which, and location at which, the service is supplied or to be supplied; availability; testing by any person and the results of the testing; approval by any person or conformity with a type approved by any person; a person by whom it has been acquired, or who has agreed to acquire it; the person by whom the service is supplied or to be supplied; after-sale service assistance concerning the service; price, how price is calculated or the existence of any price advantage or discount.

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## REGULATORY OVERVIEW

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Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Section 7A of the Trade Descriptions Ordinance provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

Sections 13E, 13F, 13G, 13H and 13I of the Trade Descriptions Ordinance provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

A person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for five years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for two years.

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

A proprietor of an industrial undertaking who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes these duties willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

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

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

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- (a) providing and maintaining plant and work systems that are safe and without risks to health;
- (b) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (d) providing and maintaining safe access to and egress from the workplaces; and
- (e) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the laws of Hong Kong), or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to one year.

### **Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)**

The Inland Revenue Ordinance is an ordinance enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong.

The Inland Revenue Ordinance provides, among other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong at the standard rate, which stood as at the Latest Practicable Date at 16.5% for corporate taxpayers. The Inland Revenue Ordinance also contains detailed provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciations of capital assets.

### **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 licenses 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, construction noise permits are required from the Environmental Protection Department in advance.

### **Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong)**

The Pneumoconiosis and Mesothelioma (Compensation) Ordinance established the Pneumoconiosis Compensation Fund, which consist of moneys received from the Government as well as from levy, surcharge and penalty. The Pneumoconiosis Compensation Fund Board is the statutory body responsible for administering the Pneumoconiosis Compensation Fund set up under the Pneumoconiosis and Mesothelioma (Compensation) Ordinance and assessing and collecting levy based on the value of the construction operations. The Pneumoconiosis Compensation Fund compensates persons suffering from pneumoconiosis and/or mesothelioma or family members of persons who died of the disease(s). A contractor is responsible for paying levy to the Pneumoconiosis Compensation Fund Board, which is imposed on all construction operations carried out in Hong Kong with a total value exceeding HK\$1 million at a rate of 0.15% of the value of the construction operations concerned. Construction operations have the meaning as defined in the Construction Industry Council Ordinance.

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

In accordance with section 32 of the Construction Industry Council Ordinance, a Construction Industry Levy at the rate of 0.5% is imposed in respect of all construction works/operations carried out in Hong Kong with a total value exceeding HK\$1 million. A contractor executing construction operations is responsible for paying the Construction Industry Levy to the Construction Industry Council. Construction operations include, among other things, building works; construction, alteration, repair, maintenance, extension, demolition or dismantling of buildings or structures, power-lines, telecommunications apparatus or pipelines; supply and installation of fittings or equipment in any building or structures; external or internal cleaning of any buildings or structures, which is carried out in the course of construction or maintenance of such buildings or structures; painting or decorating any external or internal surfaces or parts of any buildings or structures; and operations which form an integral part of, or are preparatory to any of the above operations.

### **Buildings Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong)**

The Buildings Energy Efficiency Ordinance sets out energy efficiency standard for building services installations such as electrical, lighting and air-conditioning in new buildings and existing buildings undergoing major retrofitting works. Major retrofitting works include, among other things, addition or replacement of a building services installation covering an internal floor area of not less than 500 square metres in a unit or a common area. The responsible person (e.g. owner, tenant or occupier, etc.) of a unit or a common area is required to engage a Registered Energy Assessor to certify that the replaced or additional building services installations of major retrofitting works comply with the latest edition of the Building Energy Code and obtain a Form of Compliance from a Registered Energy Assessor. Pursuant to the Buildings Energy Efficiency Ordinance, all commercial buildings in Hong Kong will be audited by registered energy assessors every ten years to ensure energy efficiency targets are met.

### OUR BUSINESS DEVELOPMENT

#### Introduction

Our history can be traced back to October 1999 when our founders, Controlling Shareholders and executive Directors, Mr. Yau and Ms. Sz established Allen Legend Design Limited which was later renamed as AL Design. Our Group was founded with the personal funds of our founders. Each of our founders and our executive Directors, Mr. Yau and Ms. Sz, has more than 20 years of experience in interior design and project management. Mr. Yau and Ms. Sz, are currently each a professional member of HKIDA and have been leading our design team since the incorporation of AL Design. Ms. Sz has been the head of our project team, managing and keeping track of the progress of each project. For further details of the background and relevant experience of Mr. Yau and Ms. Sz, our executive Directors, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

Since our Group’s inception, Mr. Yau and Ms. Sz have aimed to maintain a hands-on approach to our business and to provide quality and design services to our customers. We strive to serve clients and design in a more eco-friendly way, balancing the use of materials and technology, the user experience and the environment in order to achieve our clients’ objective. Throughout the years, our Group has kept the size and number of projects on hand manageable with a view to maintaining the quality and timeliness of services we provide. Through our continuous effort, our Group has been awarded projects from reputable and sizeable companies and organisations in Hong Kong, pursuant to which we have our brand name and image. For further particulars on business strategies of our Group, please refer to the paragraph headed “Business — Business Strategies” in this prospectus.

#### Business milestones

We believe the key milestones in the development of our Group are as follows:

- |      |                                                                                                                                                                             |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1999 | ● The establishment of AL Design (formerly known as Allen Legend Design Limited)                                                                                            |
| 2002 | ● Awarded the first office project located in Hong Kong with an international airline                                                                                       |
| 2003 | ● Our total revenue was approximately double compared to 2001                                                                                                               |
| 2004 | ● Awarded the first office project located in Hong Kong with a Germany company, which was founded in late 1800s and is one of the world’s leading testing service providers |
| 2005 | ● Awarded the first office project located in Hong Kong with a leading provider of e-commerce services in Hong Kong                                                         |

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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- |      |                                                                                                                                                                                                                    |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2009 | ● Awarded the first office project located in Hong Kong with a site size of approximately 125,000 sq.ft. by a global logistic company                                                                              |
| 2011 | ● Awarded a project located in Hong Kong with a site size of approximately 149,600 sq.ft. by a global engineering design firm listed on the Fortune 500 as one of the United States of America's largest companies |
| 2014 | ● Awarded the office project located in Hong Kong by a prominent commercial real estate developer in the PRC                                                                                                       |
| 2015 | ● Awarded the office project located in Hong Kong by a global real estate service firm listed on the New York Stock Exchange                                                                                       |
| 2015 | ● Awarded the first shopping mall project “Cheung Ying Alley” “翔盈里”, Hong Kong                                                                                                                                     |

### CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands under the Companies Law as a company with limited liability on 1 February 2016. As at the Latest Practicable Date, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. As part of the Reorganisation, our Company became the ultimate holding company of our Group.

On 15 June 2016, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares, ranking *pari passu* in all respects with the then existing Shares.

For details of changes in the share capital of our Group, please refer to the paragraph headed “Statutory and General Information — Further Information about our Company and its Subsidiaries — 2. Changes in authorised and issued share capital of our Company” in Appendix IV to this prospectus.

A summary of the corporate history of our major operating subsidiaries of our Group is set out below:

#### **AL Group International**

On 16 February 2016, AL Group International was incorporated in BVI. AL Group International is authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which one share was allotted and issued to our Company for cash at par.

AL Group International is an investment holding company.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### **AL Design**

On 22 October 1999, AL Design was incorporated in Hong Kong with an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was allotted and issued to Best Codes Nominees Limited and Best Codes Management Consultants Limited respectively, for cash at par value.

On 27 October 1999, AL Design allotted and issued 8,999 shares and 999 shares to Mr. Yau and Ms. Sz respectively for cash at par value each. On the same day, Best Codes Nominees Limited and Best Codes Management Consultants Limited disposed of their respective entire equity interest in AL Design by transferring their share to Mr. Yau and Ms. Sz respectively for cash at par.

On 12 October 2004, Mr. Yau transferred 1,000 shares to Ms. Sz for cash at par value.

On 7 March 2016, AL Design capitalised an aggregate amount of HK\$1,180,398 owed by AL Design to Ms. Sz by allotting and issuing 1,000 shares to Ms. Sz credited as fully paid. On the same date AL Design capitalised an amount of HK\$4,721,592 owed by AL Design to Mr. Yau by allotting and issuing 4,000 shares to Mr. Yau credited as fully paid.

As a result, AL design was owned as to 80% by Mr. Yau and as to 20% by Ms. Sz.

On 10 June 2016, as part of the Reorganisation, the entire issued share capital of AL Design was transferred from Mr. Yau and Ms. Sz to AL Group International (being the nominee of our Company), in consideration of (i) our Company allotting and issuing 49 Shares to Legend Investments credited as fully paid and (ii) our Company crediting the one nil-paid Share previously transferred to Legend Investments as fully paid. As a result of the Reorganisation, AL Design became a direct wholly-owned subsidiary of AL Group International.

The above transfer was properly and legally completed and settled.

AL Design principally provides integrated interior design and fit out management services in Hong Kong.

### **Legend One**

On 20 January 2016, Legend One was incorporated in Hong Kong. The maximum number of ordinary shares that Legend One may issue is 100,000,000 shares, of which 8,000 shares and 2,000 shares of HK\$1.00 each were allotted and issued to Mr. Yau and Ms. Sz, respectively for cash at par. At the time of incorporation, Legend One was owned as to 80% by Mr. Yau and as to 20% by Ms. Sz.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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On 15 June 2016, as part of the Reorganisation, the entire share capital of Legend One was transferred from Mr. Yau and Ms. Sz to AL Group International (being the nominee of our Company), in consideration of our Company allotting and issuing 50 Shares to Legend Investments credited as fully paid. As a result of the Reorganisation, Legend One became a direct wholly-owned subsidiary of AL Group International.

The above transfer was properly and legally completed and settled.

Legend One is incorporated as part of the Reorganisation to fulfill our customers' special requirement of having a different or separate legal entity to provide its proposal on each of (i) design and (ii) fit out management services. Our Directors believe that the incorporation of Legend One enables our Group to cater for such special requirement, which during the Track Record Period was requested by one of our customers, in the future and enables our Group to participate in both design and fit out works in such events. The advice of our Hong Kong Legal counsel on such arrangement is set out in the paragraph headed "Business — Operating Procedures — Quotation and design stage — Request for proposals followed by a meeting" in this prospectus. In the event that our Group is to agree with such special requirement from our customers in the future, we will declare to the relevant customer that AL Design and Legend One are associated companies at the time of submitting our proposal and further seek appropriate legal advice, if necessary, and ensure any such arrangement, if agreed by our Group, will be conducted in full compliance with the applicable laws, regulations, codes and guidelines.

### REORGANISATION

In preparation for the Listing, our Group has undergone the Reorganisation and the principal steps are as follows:

1. On 27 January 2016, Legend Investments was incorporated in BVI and on the same day, 80 and 20 shares in Legend Investments were allotted and issued to Mr. Yau and Ms. Sz respectively for cash at US\$1.00 per share.
2. On 1 February 2016, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the date of its incorporation, one nil-paid Share was allotted and issued to its subscriber, Sharon Pierson, an Independent Third Party, and was subsequently transferred to Legend Investments on the same date.
3. On 16 February 2016, AL Group International was incorporated in BVI and on the same day, one share of US\$1.00 was allotted and issued to our Company for cash at par.
4. On 10 June 2016, pursuant to a sale and purchase agreement dated 10 June 2016 entered into among AL Group International, Mr. Yau, Ms. Sz and our Company, Mr. Yau and Ms. Sz transferred their entire shareholding interest in AL Design to AL Group International (being the nominee of our Company), in consideration of (i) our Company

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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allotting and issuing 49 Shares to Legend Investments credited as fully paid and (ii) our Company crediting the one nil-paid Share previously transferred to Legend Investments as fully paid.

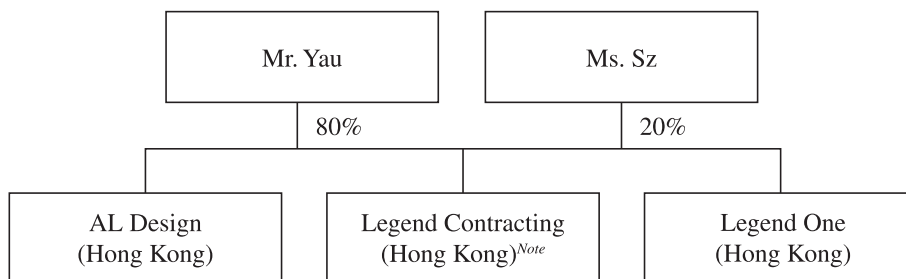
5. On 15 June 2016, pursuant to a sale and purchase agreement dated 15 June 2016 entered into among AL Group International, Mr. Yau, Ms. Sz and our Company, Mr. Yau and Ms. Sz transferred their entire shareholding interest in Legend One to AL Group International (being the nominee of our Company), in consideration of our Company allotting and issuing 50 Shares to Legend Investments credited as fully paid.

Upon completion of the Reorganisation but before the Share Offer (and not taking into account of any Shares which may be allotted and issued upon the exercise of options which may be granted pursuant to the Share Option Scheme), the entire issued share capital of our Company would be held by Legend Investments, which is owned as to 80% by Mr. Yau and as to 20% by Ms. Sz.

### CORPORATE STRUCTURE OF OUR GROUP

The following charts illustrate our corporate structure (1) immediately before the Reorganisation; (2) immediately after the Reorganisation (but before the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Options Scheme); and (3) immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme):

#### Immediately before the Reorganisation



*Note:*

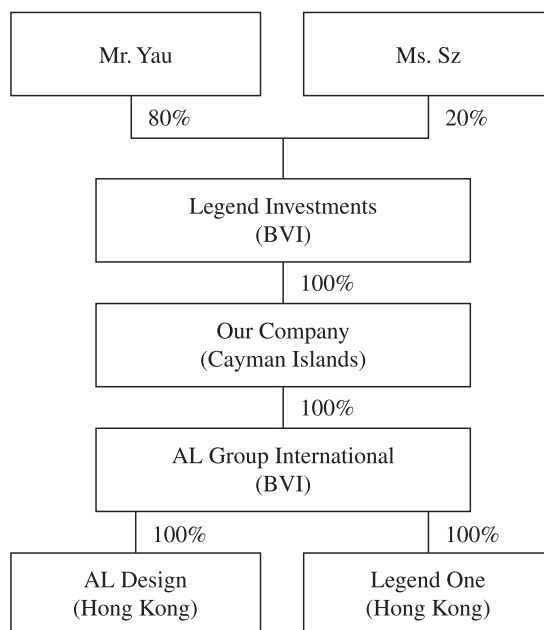
Legend Contracting was not included in our Group after the Reorganisation. For details, please refer to the paragraph headed “Relationship with Controlling Shareholders — Reasons for Non-inclusion of Legend Contracting and Legend Enterprise in our Group” in this prospectus.

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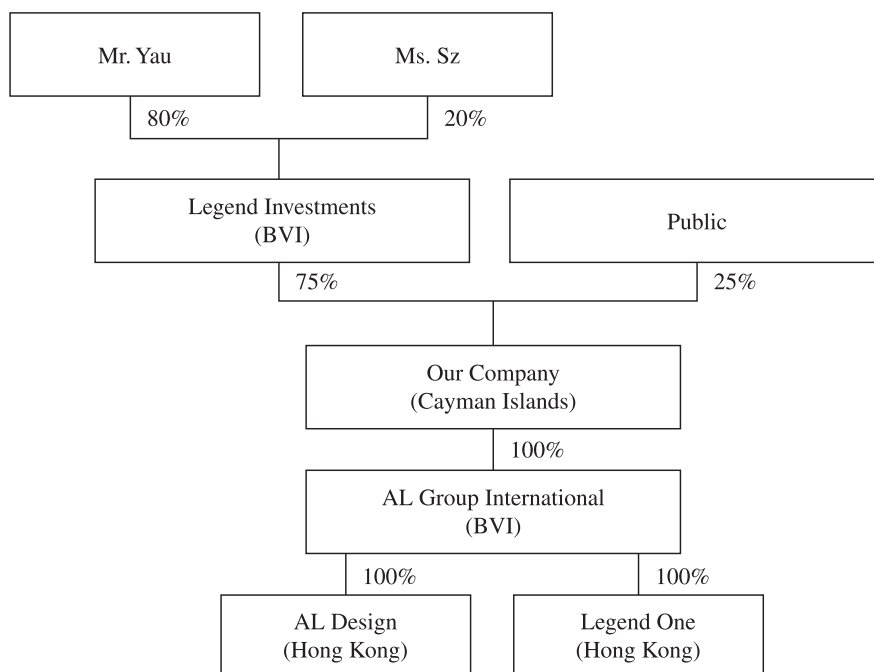
## HISTORY, REORGANISATION AND GROUP STRUCTURE

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**Immediately after the Reorganisation (but before the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Options Scheme)**



**Immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme)**



### OVERVIEW

We are an interior design and fit out solutions provider with the fit out works performed by our designated subcontractors based in Hong Kong. We believe that our success is firmly rooted in our extensive experience and portfolio in interior design and fit out works as well as project management in Hong Kong. Our services can be broadly categorised as (i) design and fit out and (ii) design only.

Since establishment in 1999, we have focused on and specialised in the office segment in Hong Kong. We envisage that our business will continue to grow by (i) further strengthening our office segment through marketing and recruiting high caliber talents; (ii) expanding our business to include home and office furniture; and (iii) pursuing further expansion in the residential and commercial segments. During the Track Record Period, we derived 100% of our revenue from customers located in Hong Kong, approximately 36.5% of whom have a relationship with us for over five years. Each of our founders and our executive Directors, Mr. Yau and Ms. Sz, has more than 20 years of experience in interior design and project management. We believe that we have been able to maintain our competitive edge amongst other market players over the past years due to the knowledge, experience and connections that both Mr. Yau and Ms. Sz have built over the last 20 years in the industry.

During the Track Record Period, a significant proportion of projects, in terms of revenue, awarded to us had been given by our recurring customers, being those customers who have engaged us for contract work in prior years and re-engage us again for other contract work during the Track Record Period. We had 14 recurring customers (excluding those relating to maintenance and aftersales services) in each year of the Track Record Period, who together contributed approximately 40% and 30% of our Group's revenue for the years ended 31 December 2014 and 2015 respectively. We believe having customer loyalty is crucial to our business.

We help to define our customers' needs by proposing total solutions of space planning, designs, fit out as well as project management and to provide customers with solutions that are aesthetically appealing. Apart from this, we also emphasise on functionality and practicality as an essential element in our design. We practise and value nurturing relationship with our materials suppliers and subcontractors as well as between our customers and our team. This is achieved through embracing a harmonious team work approach and placing priority and emphasis on proficient communication resulting in effective design and fit out solutions and creating mutually beneficial opportunities. We also provide quality maintenance and aftersales services and maintain strong and sustainable relationship with our customers.

We take pride in our team's ability to tune in and deeply understand the needs and desires of our customers. We ensure delivery of our services with high standard and quality by working closely with our customers from conceptualisation to execution, to the completion of each project and thereafter. Our design and fit out management services are rendered with professionalism and complete responsibility, ensuring that all requirements and expectations are met. It is our goal to make the overall design and fit out process as smooth, stress-free, and convenient as possible.

For the years ended 31 December 2014 and 2015, our Group's revenue amounted to approximately HK\$51.2 million and HK\$84.5 million respectively. In terms of number of projects, for the years ended 31 December 2014 and 2015, excluding those relating to maintenance and aftersales services, we had a total of 37 and 49 completed projects respectively. As at 31 December 2015, there were three ongoing projects and one project awarded in December 2015 with work commencing in 2016 (excluding those relating to maintenance and aftersales services). After 31 December 2015 and up to the Latest Practicable Date, our Company entered into 12 new projects (excluding those relating to maintenance and aftersales services). Among the 16 projects mentioned above, as at the Latest Practicable Date, eight projects were completed, four projects were still on-going and four projects with work not having commenced.

### COMPETITIVE STRENGTHS

We believe that our competitive strengths will enable us to maintain our position as one of the active interior design and fit out solutions providers with the fit out works performed by our designated subcontractors based in Hong Kong. Our Directors consider that we possess the following competitive strengths:

**We have a long operational history and well-established reputation in office segment in the interior design and fit out industry**

Our history can be traced back to 1999 when AL Design was incorporated with our commencement of business in the office segment. Subsequently, we gradually expanded into the commercial and residential segments whilst maintaining our focus in the office segment. We believe our management's long-established presence in the office segment of the interior design and fit out industry gives our customers confidence in our ability to complete quality works in a timely manner. Our long-established reputation in the office segment also benefits our commercial and residential segments which have been gradually developing over the years. During the Track Record Period, certain of our commercial and residential projects awarded to us were referred to us by our existing customers. We strive to maintain close relationship with customers from all segments as they may recommend us to their family or friends for residential interior design and fit out management services. As demonstrated by the completion of our previous nine residential and four commercial projects during the Track Record Period, we believe that we possess the requisite expertise and project management capabilities to take on projects in both the residential and commercial segments.

Our Directors believe that we have a proven track record and the capability of delivering our jobs timely and to the satisfaction of our customers. During the Track Record Period and up to the Latest Practicable Date, excluding projects relating to maintenance and aftersales services, we completed 94 projects, of which 81, nine, and four are categorised as office, residential and commercial projects respectively.

**We have stable and long-term customer relationships with our customers that mainly include private companies and associated companies of listed companies**

We have established stable and long-term business relationships with our customers that mainly include private companies and associated companies of listed companies, all being Independent Third Parties. During the Track Record Period, the majority of projects awarded to us have been given or referred to us by our recurring customers. We had 14 recurring customers (excluding those relating to maintenance and aftersales services) in each year of the Track Record Period, being those customers who have engaged us for contract work in prior years and re-engage us again for other contract work during the Track Record Period, who together contributed approximately 40% and 30% of our Group's revenue for the years ended 31 December 2014 and 2015 respectively. By nurturing and maintaining close relationship with our customers with the assistance of our sales and marketing team, we are able to ensure that our Group will be informed of any potential business opportunities. Throughout the Track Record Period, approximately 36.5% of our customers had a business relationship with us for over five years, and some of our customers were referred to us by our existing customers which belonged to the same group.

By maintaining a close relationship with our customers, we believe that we are able to gain a better understanding of our customers' needs and preferences to allow our design team to tell our customers' stories with sophistication and confidence. Further, our ability to maintain a stable relationship with sizeable companies in Hong Kong will provide a stable source of revenue to our Group.

Upon receiving our design and fit out management services, some of our customers will continue to engage us for maintenance and aftersales services. We believe the maintenance and aftersales services provided to our customers form the crux to achieving customer loyalty and retention. Customer loyalty strengthens our corporate and brand image and the associated benefits help our business to scale to greater heights. Some of our recurring customers for design and fit out projects are derived from our ongoing relationship with them by providing them with maintenance and aftersales services.

Further information on our customers is set out in the paragraph headed "Business — Customers" in this prospectus.

**We have close and stable relationships with our quality materials suppliers and subcontractors**

We have established close and stable working relationships with our suppliers, including materials suppliers and subcontractors, all being Independent Third Parties, many of whom have a relationship with us for over eight years. We procure and purchase some of our fit out materials and obtain services from our approved list of suppliers, all of which have proven record of providing quality fit out materials and/or services to us. Most of our major suppliers possess extensive experience in their respective fields. As at the Latest Practicable Date, we had 14 approved materials suppliers and 66 approved subcontractors.

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## BUSINESS

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Our Directors believe that the subcontracting arrangements allow us to reduce capital investments and operating costs associated with running a company to provide services such as 3D drawing, fit out and waste disposal and focus our resources on areas such as conceptual design, sales and marketing, customer services and project management.

Further information of our suppliers is set out in the paragraph headed “Business — Suppliers” in this prospectus.

### **We have an experienced and professional management team and provide our employees with quality training**

Our management has extensive experience in the Hong Kong interior design and fit out industry. Each of our founders and our executive Directors, Mr. Yau and Ms. Sz, has more than 20 years of experience in interior design and project management. Our Directors and our senior management will work together to ensure that we are able to submit a proposal at a competitive price with adequate direct margin.

We also put effort in training and development of our employees. We offer training programmes to our selected employees to ensure they possess the required skill set parameter and technical expertise for the operation of our interior design and fit out business. We believe that these efforts increase overall efficiency and loyalty to our Group and also help retain and promote quality employees. The training programmes focus on specific areas such as occupational safety and enhancement of design skills.

## **BUSINESS STRATEGIES**

We aim to strengthen our position as an interior design and fit out solutions provider with the fit out works performed by our designated subcontractors. To achieve this, we intend to focus on the business strategies as set out below. Please also refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for details of our implementation plan.

### **We plan to recruit high caliber talents and enhancing company strength including information system and design software**

In order to solicit new customers and expand our business, we plan to recruit high caliber talents to capture more business. We focus on management quality, industry knowledge and interactive sales as key elements of our growth strategy and will remain committed to the training and development of our experienced and dedicated team at all levels. Our Group believes that high caliber personnel are fundamental to our Group’s success. Our Group plans to retain more high caliber talents in areas such as management, design, project management, finance and sales and marketing so as to raise our standard and quality of services. In order to achieve this goal, we will organise regular internal trainings and seminars for our employees with a focus on design, project management and sales and marketing. We also intend to attract high quality sales and marketing

talents by offering competitive compensation packages, including bonus programme, performance incentives, company trips, education, medical coverage and training allowances.

In addition to focusing our business in office segment, we plan to further expand our business in the commercial and residential segments. Our Directors believe that with our success in the office segment, we can expand our technical know-hows to other segments and to cope with such expansion through recruiting personnel with experience in commercial and residential segments and providing trainings to our existing employees.

We also plan to enhance our information system and design software to further expand our Group's capacity in providing better design services and improve efficiency and accuracy on our financial analysis and cost control. This will include the purchase of accounting system to improve our financial analysis and up-to-date design software to enhance our design quality and capability.

In this regard we plan to apply a total of approximately HK\$13.4 million of our net proceeds from the Share Offer during the period from the Latest Practicable Date up to and including 30 June 2018.

**We plan to develop a new line of business and selectively pursue business collaboration and/or acquisition of companies**

Leveraging on our experience in designing and producing built-in furniture and to strengthen our business and increase the opportunities for generating further profit, we plan to expand our business to movable furniture business. By extending our core business to include designing and producing movable furniture, we could provide a more customised, comprehensive and integrated interior design and fit out solutions to our customers.

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The following table shows the intended breakdown of our investment in relation to the extension to the movable furniture business segment:

|                                                                        | From the<br>Latest<br>Practicable<br>Date to<br>31 December<br>2016<br>(HK\$) | For the<br>six months<br>ending<br>30 June 2017<br>(HK\$) | For the<br>six months<br>ending<br>31 December<br>2017<br>(HK\$) | For the<br>six months<br>ending 30<br>June 2018<br>(HK\$) | Total<br>(HK\$)   |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------|-------------------|
| <b>Extension to the movable furniture business segment</b>             |                                                                               |                                                           |                                                                  |                                                           |                   |
| — <b>Home Furniture Business</b>                                       | <b>300,000</b>                                                                | <b>3,610,000</b>                                          | <b>1,220,000</b>                                                 | <b>1,281,000</b>                                          | <b>6,411,000</b>  |
| <b>Breakdown as follows:</b>                                           |                                                                               |                                                           |                                                                  |                                                           |                   |
| — Showroom/Workshop Rental                                             | —                                                                             | 450,000                                                   | 450,000                                                          | 472,500                                                   | 1,372,500         |
| — Renovation                                                           | —                                                                             | 2,000,000                                                 | —                                                                | —                                                         | 2,000,000         |
| — Furniture Samples                                                    | —                                                                             | 500,000                                                   | 110,000                                                          | 115,500                                                   | 725,500           |
| — Staff Cost/Labour Cost                                               | —                                                                             | 600,000                                                   | 600,000                                                          | 630,000                                                   | 1,830,000         |
| — Operating Expense                                                    | —                                                                             | 60,000                                                    | 60,000                                                           | 63,000                                                    | 183,000           |
| — Miscellaneous Cost<br>(entertainment, marketing,<br>travelling, etc) | 300,000                                                                       | —                                                         | —                                                                | —                                                         | 300,000           |
| — <b>Office Furniture Business</b>                                     | <b>500,000</b>                                                                | <b>5,000,000</b>                                          | <b>—</b>                                                         | <b>—</b>                                                  | <b>5,500,000</b>  |
| <b>Breakdown as follows:</b>                                           |                                                                               |                                                           |                                                                  |                                                           |                   |
| — Investment/Acquisition                                               | —                                                                             | 5,000,000                                                 | —                                                                | —                                                         | 5,000,000         |
| — Miscellaneous Cost<br>(entertainment, marketing,<br>travelling, etc) | 500,000                                                                       | —                                                         | —                                                                | —                                                         | 500,000           |
| <b>Total</b>                                                           | <b>800,000</b>                                                                | <b>8,610,000</b>                                          | <b>1,220,000</b>                                                 | <b>1,281,000</b>                                          | <b>11,911,000</b> |

For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

In this regard we plan to apply a total of approximately HK\$11.9 million of our net proceeds from the Share Offer during the period from the Latest Practicable Date up to and including 30 June 2018. As at the Latest Practicable Date, we had not identified suitable acquisition targets.

### **We plan to expand our market coverage**

In order to cope with our anticipated growth on our business, we will further expand and/or relocate our office in Hong Kong. Our Directors are aware that many large corporations have set up their headquarters or representative office in Shanghai and have intention to set up branch office in Hong Kong and as such, we plan to explore and capture such opportunity in this region and establish a representative office in Shanghai by 30 June 2017 to promote our brand. Upon establishment, the representative office will act as a contact point to better communicate with our potential customers who seek to set up or renovate their office in Hong Kong. The potential

customers who intend to engage us are expected to engage our operating subsidiaries in Hong Kong through their entities in Hong Kong. Our PRC Legal Advisers are of the view that this arrangement will not require any specific licenses and approvals in addition to what is generally required for establishing representative offices in the PRC. We do not expect any material change in our business model upon implementing such plan.

We also plan to expand our industry network coverage, exposure and as an indirect informal publicity, by joining design-related international or regional associations and by participating in interior design exhibitions and competitions. During the Track Record Period, two of our executive Directors had joined other associations for similar purposes. Our Directors believe that we will have better communication and liaison with customers and can expand the reach of potential customers through joining industry organisations. So far as our Directors are aware, there are no criteria to be met in order to join the industry organisations.

In this regard we plan to apply a total of approximately HK\$9.5 million of our net proceeds from the Share Offer during the period from the Latest Practicable Date up to and including 30 June 2018.

### **We plan to capture larger design and fit out projects in Hong Kong**

We plan to capture larger design and fit out projects in Hong Kong which may require payment of start-up costs for new projects such as prepayment of subcontracting fees and material costs. We plan to increase our market share in the interior design industry by focusing on new and larger projects in Hong Kong with contract sum in the range of HK\$1,000,000 to HK\$3,000,000. We believe that pursuing this opportunity could help to enhance our competitiveness and further capture business opportunity to secure larger projects in line with our Group's expected growth.

In this regard we plan to apply a total of approximately HK\$6.0 million of our net proceeds from the Share Offer during the period from the Latest Practicable Date up to and including 30 June 2018.

### **We will continue to develop and enhance our market position by increasing the effectiveness of marketing and brand recognition**

We believe it is crucial to our continued growth and development to maintain and strengthen our market position in the interior design and fit out industry in Hong Kong by broadening our customer base through attracting new customers and retaining existing customers as the need for an interior design and fit out solutions provider in Hong Kong is becoming increasingly demanding.

With our proven track record, we intend to actively seek business opportunities in Hong Kong and increase the effectiveness of marketing by (i) implementing various marketing and advertising campaign to promote our Company and (ii) promoting through designing and preparing company brochure and marketing materials to build our corporate image. We intend to attend international

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exhibitions to gain inspiration and insight of the latest design concepts and trends, which we may share with our customers, thereby demonstrating our expertise and our desire to keep abreast of the latest design concepts. We believe that this helps to strengthen our corporate image.

Given that we have not entered into any long-term contracts with our customers, our Directors believe that our marketing capability is crucial in maintaining and strengthening our customer base.

In this regard we plan to apply a total of approximately HK\$4.3 million of our net proceeds from the Share Offer during the period from the Latest Practicable Date up to and including 30 June 2018.

For further details on the implementation of the abovementioned business strategies of our Group, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### BUSINESS OVERVIEW

We are an interior design and fit out solutions provider with the fit out works performed by our designated subcontractors based in Hong Kong. Our services mainly include design and fit out as well as overall project management. A brief description of each of our services is as follows:

|        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Design | Our design services involve crafting of interior design that encompasses our innovative and creative designs which strictly adhere to our customers’ specifications and requirements, normally in the form of technical or 3D drawings, layout and preliminary design and design presentation proposal. We subcontract some of our 3D drawings to our approved list of drafting subcontractors. Technical drawings typically include ceiling plans, electrical plans and elevation plans but may also include other types of plans depending on the project requirements. Our preliminary design typically evolves along with interactive discussions with our customers which eventually becomes a presentation design to be finalised by our customers prior to engagement. Our Directors believe that our services rendered aim to be a combination of art and practicality that can follow a customer’s behavior to create effective and functional spaces within a premises. Our interior designers are highly skilled and experienced who are able to create interior environments that are functional, safe, adhere to regulatory and legal requirements and in particular, intended to meet the needs of the people using the space. Further details on our design process are set out in the paragraph headed “Business — Operating Procedures — Quotation and design stage” in this prospectus. |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Fit out** Our fit out management services involve coordination of efforts of individuals by using available resources efficiently and effectively. All of our fit out works are subcontracted to either our customer nominated contractors or our approved list of fit out subcontractors or subcontractors selected by building management. The fit out works subcontracted typically include carpentry works, marble works, production and installation of furniture, partitioning works, ceiling works, glassware works, electrical works, plumbing and drainage works, steel works, waste disposal works and masonry work. These fit out subcontractors will supply or procure to supply the relevant fit out materials to complete their works. In some cases, we will directly procure to supply materials such as carpets, tiles, fabrics, lightings and ironmongery to our fit out subcontractors. Further details on our subcontracting of the fit out works are set out in the paragraph headed “Business — Suppliers — Subcontractors”.

Our services can be broadly categorised as (i) design and fit out and (ii) design only. In addition to such core services we offer, we also provide maintenance and aftersales services which could cater for our customers’ different requirements from time to time. For each of our projects, we are also responsible for the overall project management. Our project management services encompass the process of coordinating, liaising, planning, organising and controlling of time, quality, resources, procedures and protocols to ensure the adherence of our overall services to our customers’ expectations and timely and smooth progression of the project. Other than our Group’s finance and administration staff, all of our staff are responsible to manage and coordinate the entire project in various different aspects (i.e. design, project management, sales and marketing and customer service). In addition, our Group’s project management staff is not required to be onsite for a long period of time as all of our Group’s fit out services are subcontracted to our subcontractors.

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The contract sum of our projects varied project by project. For the years ended 31 December 2014 and 2015, our total revenue generated from our services was approximately HK\$51.2 million and HK\$84.5 million respectively. A breakdown of number of projects we worked on and the respective amount of revenues recognised during the Track Record Period are set out in the table below:

|                                            | No. of projects<br>we worked on |              | Total revenue recognised |              |
|--------------------------------------------|---------------------------------|--------------|--------------------------|--------------|
|                                            |                                 | %            | HK\$'000                 | %            |
| <b>Design and fit out/design only</b>      |                                 |              |                          |              |
| Less than HK\$1 million                    | 54                              | 14.7         | 23,215                   | 17.1         |
| HK\$1 million–HK\$3 million                | 21                              | 5.7          | 38,038                   | 28.0         |
| More than HK\$3 million                    | <u>14</u>                       | <u>3.8</u>   | <u>68,055</u>            | <u>50.2</u>  |
| <b>Maintenance and aftersales services</b> | <u>278</u>                      | <u>75.8</u>  | <u>6,362</u>             | <u>4.7</u>   |
| <b>Total revenue</b>                       | <u>367</u>                      | <u>100.0</u> | <u>135,670</u>           | <u>100.0</u> |

The table below sets out details of the movements of our Group's number of on-going and completed projects, excluding those relating to maintenance and aftersales services, during the Track Record Period:

|                                                               |             |
|---------------------------------------------------------------|-------------|
| Number of on-going projects at 1 January 2014                 | 19          |
| Number of new projects commenced during the year              | <u>27</u>   |
| Number of on-going and completed projects at 31 December 2014 | 46          |
| Number of projects completed during the year                  | <u>(37)</u> |
| Number of on-going projects at 31 December 2014               | <u>9</u>    |
| Number of on-going projects at 1 January 2015                 | 9           |
| Number of new projects commenced during the year              | <u>43</u>   |
| Number of on-going and completed projects at 31 December 2015 | 52          |
| Number of projects completed during the year                  | <u>(49)</u> |
| Number of on-going projects at 31 December 2015               | <u>3</u>    |

### Our projects

During the Track Record Period, we worked on a total of 89 projects (excluding those relating to maintenance and aftersales services). The number of projects is calculated on the basis that all contracts relating to the same project location site were aggregated during the Track Record Period.

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Excluding those relating to maintenance and aftersales services, for the years ended 31 December 2014 and 2015, we had a total of 37 and 49 completed projects respectively. Most projects during the Track Record Period were located in Hong Kong except for three of our customers who are located in Hong Kong but engaged us to provide design works or design works and materials sourcing in relation to the sites located in the PRC and Taiwan. The revenue contributed by those projects amounted to approximately HK\$3.1 million and HK\$2.9 million for the years ended 31 December 2014 and 2015 respectively.

The table below sets out the number of projects and revenue generated by types of projects during the Track Record Period, excluding those relating to maintenance and aftersales services:

| For the year ended 31 December |           |              |               |              |                 |              |               |              |
|--------------------------------|-----------|--------------|---------------|--------------|-----------------|--------------|---------------|--------------|
| 2014                           |           |              |               |              | 2015            |              |               |              |
| No. of projects                | %         | HK\$'000     | %             |              | No. of projects | %            | HK\$'000      | %            |
| <i>Corporate (Note 1)</i>      |           |              |               |              |                 |              |               |              |
| — Office                       | 41        | 89.1         | 41,757        | 86.7         | 41              | 78.8         | 56,257        | 69.3         |
| — Commercial                   | —         | —            | —             | —            | 4               | 7.7          | 18,180        | 22.4         |
| <i>Private (Note 2)</i>        |           |              |               |              |                 |              |               |              |
| — Residential                  | 5         | 10.9         | 6,379         | 13.3         | 7               | 13.5         | 6,734         | 8.3          |
| <b>Total (Note 3)</b>          | <b>46</b> | <b>100.0</b> | <b>48,136</b> | <b>100.0</b> | <b>52</b>       | <b>100.0</b> | <b>81,171</b> | <b>100.0</b> |

*Notes:*

- (1) Corporate projects mainly include projects engaged by our corporate clients for corporate use.
- (2) Private projects mainly include high-value residential projects engaged directly by our individual customers or through designated corporate entities for private use.
- (3) As at 31 December 2014, nine projects were not yet completed and were completed in 2015.

We can categorise our projects as office, commercial and residential depending on the nature of the site which we are engaged to perform our services. Although the operating work flow is generally similar for each of the segments, there are distinctive features with each category of projects that we are aware of and form part of our expertise.

For office projects, we provide our services to various gradings of offices with net floor area of approximately 3,000 sq.ft. to 149,600 sq.ft.

For commercial projects, different from other types of projects, we may also design exterior wall of the commercial building. Our completed commercial projects include sizeable shopping mall with total net floor area of approximately 29,000 sq.ft., and reputable retail store.

For residential projects, we primary target high-value projects with net floor area of approximately 800 sq.ft. to 2,300 sq.ft.

We generally categorise furniture into two types: (i) built-in furniture — immovable furniture which are affixed or attached to any property and (ii) movable furniture — furniture which are not affixed or attached to any property. As part of our design and fit out services, we will also design and procure a broad spectrum of tailor-made built-in furniture for our projects to fit for the overall design and customers' requirement. For movable furniture which is of standard design, we will not be involved in the furniture design and will normally assist with sourcing only. In an interior design and fit out project, customers may require both built-in and movable furniture, for example, tailor-made built-in cabinet of specific size and height for fitting into the layout plan in order to utilise a corner space more efficiently and standard movable cabinet for large open area. When deciding between built-in or movable furniture or both, customers may take into account their budget, special needs and design requirements. Our Directors believe that our success is built on our expertise and technical know-hows on tailor-made built-in furniture which can greatly enhance the overall quality of the design.

During the Track Record Period, our commercial and residential projects differed from our office projects in terms of the range of contract value, duration and profitability. In terms of the range of contract value, our office projects had a wider range of contract values than our residential projects. For commercial projects, we completed four commercial projects during the Track Record Period and only one of them was a design and fit out project (instead of design-only) and the contract value for such project was relatively higher given that it involved a sizeable shopping mall with total net floor area of approximately 29,000 sq.ft. as mentioned above. However, the unit rate of individual fit out work items for commercial and residential projects were generally higher than that for office projects due to the fact that commercial and residential projects allow our Group to charge a premium for the unique design work. Similarly, in terms of profitability, during the Track Record Period, our commercial and residential projects were generally more profitable than office projects and the profitability of commercial and residential projects was generally similar for the same reason described above. The direct margin for residential projects completed during the year ended 31 December 2014 was significantly lower than that of those completed during the year ended 31 December 2015 due to the incident as set out in the paragraph headed “Financial Information — Discussion and Analysis of Principal Components of Results of Operations — Year ended 31 December 2014 compared to year ended 31 December 2015 — Direct Margin — Residential” in this prospectus. In the absence of such incident, our Directors are of the view that the above comparison should remain accurate. During the Track Record Period, our residential projects had a longer project duration in general as customers who engaged us for residential projects normally spend more time designing and choosing specific materials to be used in their projects. In general, our commercial and residential projects did not differ from our office projects in terms of scope of services, cost structure, cash flow requirement, and risk profile during the Track Record Period.

As demonstrated by the completion of our previous nine residential and four commercial projects during the Track Record Period, our Directors believe that we have demonstrated the requisite expertise and project management capabilities to take on projects in both the residential and commercial segments.

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Overall, our projects undertaken during the Track Record Period varied in size, complexity and location and as such the duration for each project varied on the time required for completion. We consider a project as being commenced with reference to (i) the date of counter-signing of our quotation by our customers; (ii) the date of the appointment letter signed by our customers; or (iii) the date of application to the building management corporation, whichever is earlier. We consider a project as being completed with reference to the date of the project progress report regularly prepared by our project management staff indicating that the project has been completed. We bill our customers at different stages according to the terms as set out in the agreed quotation. The last progress payment, which is usually around 5% to 10% of our contract sum, is regarded by us as retention monies that will normally be settled around one to three months after project completion. For projects which we provide a defect liability period, the retention monies may be settled upon conclusion of the defect liability period. Further details on the defect liability period are set out in the paragraph headed “Business — Operating Procedures — Aftersales stage” in this prospectus.

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### *Projects in progress*

As at 31 December 2015, there were three ongoing projects and one project awarded in December 2015 with work commencing in 2016 (excluding those relating to maintenance and aftersales services). After 31 December 2015 and up to the Latest Practicable Date, our Company entered into 12 new projects (excluding those relating to maintenance and aftersales services). Among the 16 projects mentioned above, as at the Latest Practicable Date, eight projects were completed, four projects were still on-going and four projects with work not having commenced. Our Directors estimated that of such on-going projects will be completed within the year ending 31 December 2016 and the contract sum of approximately HK\$57.8 million are projected to be recognised. Please refer to the paragraph headed “Financial Information — Sustainability of our Group’s Business” in this prospectus for information on the sustainability of our Group’s business. The following table sets out details of our projects which were on-going as at 31 December 2015 and entered into during the period after 31 December 2015 and up to the Latest Practicable Date, excluding those relating to maintenance and aftersales services:

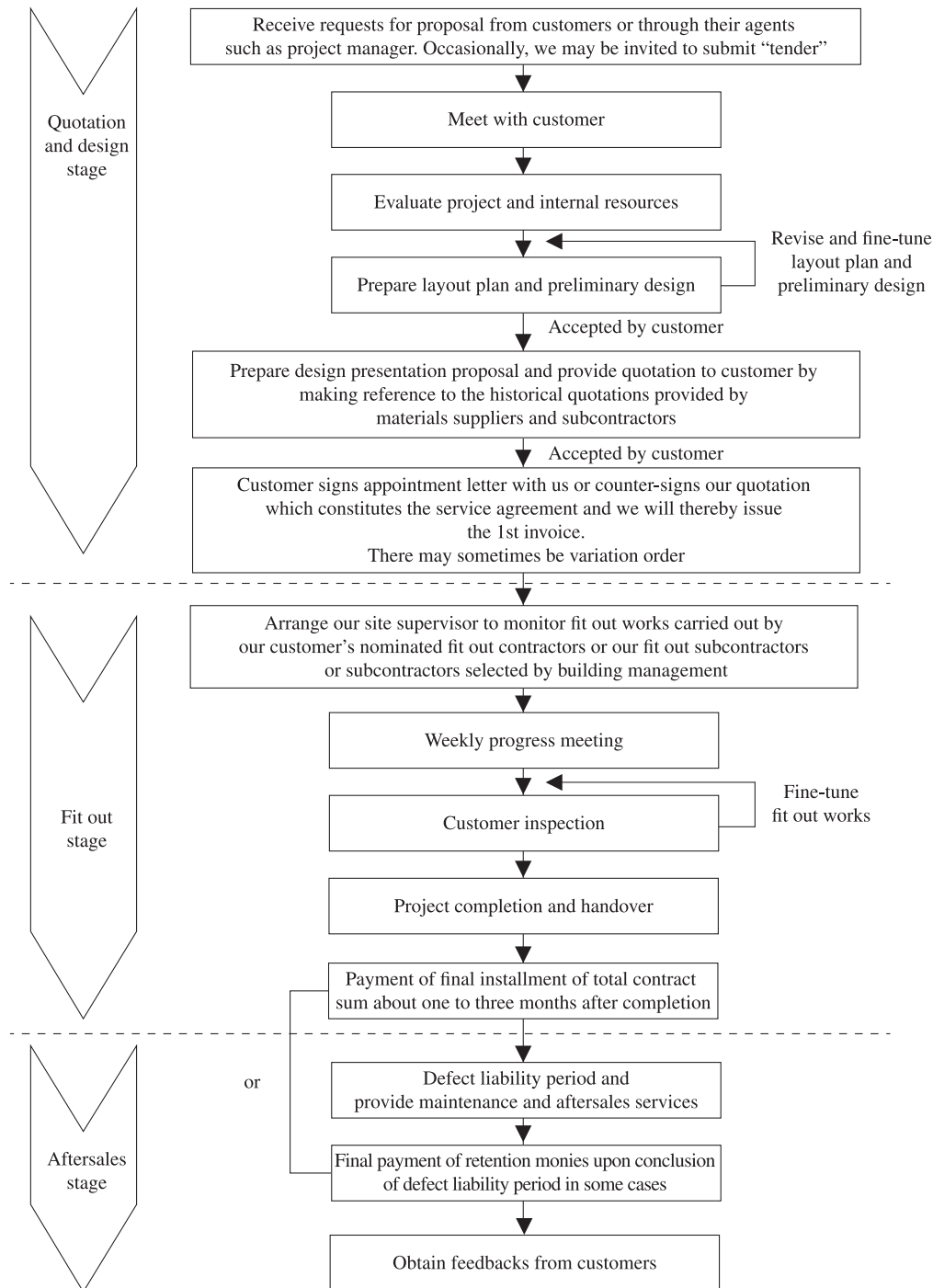
| Name of project    | Type of project                  | Contract sum  | Actual revenue                    | Outstanding contract                                         | Approximate % of actual revenue recognised out of total contract sum |
|--------------------|----------------------------------|---------------|-----------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------|
|                    |                                  |               | recognised up to 31 December 2015 | sum as at 31 December 2015 expected to be recognised in 2016 |                                                                      |
|                    |                                  | HK\$'000      | HK\$'000                          | HK\$'000                                                     |                                                                      |
| Project A          | Design and fit out — Office      | 498           | 448                               | 50                                                           | 90.0%                                                                |
| Project B          | Design and fit out — Office      | 9,067         | 5,926                             | 3,141                                                        | 65.4%                                                                |
| Project C          | Design and fit out — Residential | 4,391         | 720                               | 3,671                                                        | 16.4%                                                                |
| Project D (Note 1) | Design and fit out — Office      | 604           | —                                 | 604                                                          | 0%                                                                   |
| Project E          | Design and fit out — Office      | 1,451         | —                                 | 1,451                                                        | 0%                                                                   |
| Project F          | Design and fit out — Office      | 2,770         | —                                 | 2,770                                                        | 0%                                                                   |
| Project G          | Design and fit out — Office      | 380           | —                                 | 380                                                          | 0%                                                                   |
| Project H          | Design and fit out — Commercial  | 5,548         | —                                 | 5,548                                                        | 0%                                                                   |
| Project I          | Design and fit out — Residential | 3,000         | —                                 | 3,000                                                        | 0%                                                                   |
| Project J          | Design and fit out — Office      | 11,789        | —                                 | 11,789                                                       | 0%                                                                   |
| Project K          | Design and fit out — Office      | 1,178         | —                                 | 1,178                                                        | 0%                                                                   |
| Project L          | Design and fit out — Office      | 3,500         | —                                 | 3,500                                                        | 0%                                                                   |
| Project M (Note 2) | Design and fit out — Residential | 11,854        | —                                 | 11,854                                                       | 0%                                                                   |
| Project N (Note 2) | Design and fit out — Office      | 1,743         | —                                 | 1,743                                                        | 0%                                                                   |
| Project O (Note 2) | Design and fit out — Commercial  | 3,490         | —                                 | 3,490                                                        | 0%                                                                   |
| Project P (Note 2) | Design and fit out — Office      | 3,628         | —                                 | 3,628                                                        | 0%                                                                   |
| Total              |                                  | <u>64,891</u> | <u>7,094</u>                      | <u>57,797</u>                                                |                                                                      |

Notes:

- (1) Project that was awarded in 2015 but work only commenced in 2016.
- (2) Projects that were awarded in 2016 but work had not yet commenced as at the Latest Practicable Date.

**OPERATING PROCEDURES**

For our design and fit out projects, the project duration is typically around three to 12 months, depending on size, complexity and location of the project. For our design projects, the duration will typically be shorter as these projects complete upon acceptance of our designs. Our typical operating process is outlined below:



### Quotation and design stage

#### *Request for proposals followed by a meeting*

We normally receive either verbal or written request for proposals from our customers or through their agents such as project manager. The request for proposal is merely a simple process initiated by our potential customers to request from us a proposal to be presented to them for provision of certain services. Our Company does not actively seek opportunity to bid for projects available for public tenders. During the Track Record Period, there were only several cases that our Company was invited by customers to submit “tender”. Other than these several cases, the Group secured projects through a request for proposal process initiated by our Group’s customers (or through their agents such as project managers).

Generally, after receiving the aforesaid request for proposals, a physical meeting with our customers will be conducted to discuss the scope of work, timeframe and conceptual design. During the meeting, our design team and sales and marketing team will better understand our customers’ needs and expectations and will be able to provide general comments to ensure that our customers’ ideas can be transformed into a conceptual design which can be actualised.

Our customers may additionally require a different or separate legal entity to provide proposals on each of (i) design and (ii) fit out management services (the “**Arrangement**”). Our Directors believe that the incorporation of Legend One enables our Group in the future to cater for such special requirement, which during the Track Record Period was requested by one of our customers. It was the intention and instruction of this customer that a separate legal entity had to be used to enter into the agreement in respect of fitting out works. Our Directors wish to emphasise that the Arrangement was for the purpose of complying with the internal guideline of the customer, a subsidiary of a global firm of designers, planners, engineers, consultants and technical specialists offering professional services. According to the customer, its internal guidelines stipulates that for projects of larger scale, the design and the fit out services should be conducted in two separate stages and in respect of each of the two stages, the customer would separately request for proposal and sign relevant contracts with different entities to ensure fair assessment on pricing and quality of services. We were able to assess the authority of the customer’s representatives by obtaining their business cards which displayed their job title and position, and the communication between us and them via their office email address and phone numbers.

As per the customer’s request, we had declared to the customer that AL Design and Legend Contracting were associated companies. The customer was aware, and acknowledged such relationship, that our Group had separate divisions to perform design and fit out works and invited AL Design and Legend Contracting to provide proposals on each of design and fit out services. Based on our understanding from the customer, the Arrangement did not contravene the internal guidelines of the customer, rather it was requested by the customer to have it put in place in order to comply with such internal guidelines. In future, should a request for proposal require a separate

proposal for design and fit out services, we will declare to the relevant customer at the time of submitting our proposals that both submissions are made by our Group.

Our Hong Kong Legal Counsel opined that the Arrangement as set by the customer does not contravene any applicable laws in Hong Kong, in particular, section 7 of the Prevention of Bribery Ordinance (the “**POBO**”) and the First Conduct Rule of the Competition Ordinance on the following basis:

*The POBO*

- our Group and the customer would not be considered as a “public body” under the POBO;
- there is no evidence, including the way by which our Group secures projects, to suggest or tend to suggest that the Arrangement would involve or would have involved:
  - (i) any offer of advantage from our Group to any other party as inducement for that party to refrain or to have refrained from pursuing the project of interior design service for our customer; or
  - (ii) any offer of advantage from our Group to any other party as inducement for that party to refrain or to have refrained from pursuing the project of fit out works for our customer.
- our Group secures projects simply by inviting potential customers to consider our quotation and if the potential customers accept the quotation, they will confirm; and
- sentiment on section 7 of the POBO by Sir Anthony Mason NPJ at §77 in the judgment of *HKSAR v Chan Wai Yip and Others (2010) 13 HKCFAR 842* in which all judges unanimously dismissed the appeal of the prosecution that “it seems that *section 7 of the POBO has not been enforced in Hong Kong due to doubts about its efficacy.*”;

*The First Conduct Rule of the Competition Ordinance*

- the Competition Ordinance may come into play as bid-rigging is one of the anti-competitive conducts caught by the First Conduct Rule under the Competition Ordinance;
- bid-rigging occurs when competitors covertly agree on strategy when responding to a request for tender. The competitors decide between themselves who will win the tender, and manipulate the bidding process to achieve that outcome; and
- it was the intention and instruction of our customer that a separate subsidiary of our Group had to be used to enter into the agreement in respect of fit out works. According to the definition of bid-rigging defined under Competition Ordinance, there is no evidence to suggest or tend to suggest that our Group orchestrated or attempted to orchestrate to secure the project of the fit out works in favour of our Group. Our Group merely complied with the request of

the customer and accord to the rationale of freedom of contract between our Group and the customer, so long as the corporate structure of our Group allowed, to use our Group to undertake the said fit out works.

Based on the opinion of our Hong Kong Legal Counsel that the Arrangement does not contravene any applicable laws in Hong Kong and the fact that our Company neither participates in any bidding process by way of public tender nor pays any rebates or commissions to third parties in securing projects, the Arrangement and payment of sales commissions by our Group to our employees as being discussed in further details in the paragraph headed “Business — Sales and Marketing” in this prospectus do not involve any conduct of bid-rigging. We will further seek legal advice, if necessary, and ensure the Arrangement, if agreed by our Group, will be conducted in full compliance with the applicable laws, regulations, codes and guidelines.

### ***Project and internal resources evaluation***

Upon thorough understanding of our customers’ requirements, our management will evaluate the potential project by taking into consideration principal factors such as our relationship with our customers, background and profile of customers, nature of project and timing. In the event that we consider the above factors are in line with our Group’s financial interest and capability, we will prepare and submit a proposed layout plan and preliminary design to our customers.

### ***Layout plan and preliminary design and design presentation proposal***

Our layout plan and preliminary design will state clearly that (i) the layout plan and preliminary design is our property and cannot be used without our written permission; and (ii) the measurements in the layout plan and preliminary design will need to be verified and may not be accurate. The layout plan and preliminary design typically comprises technical and 3D drawings and presentation boards. In some cases, we engage our drafting subcontractors to provide some 3D drawings although our design team monitors closely on an on-going basis to ensure that the 3D drawings adhere to our customers’ specifications and expectations. There will generally be back and forth comments between us and our customers and we will revise and fine-tune the design until it is acceptable to our customers. For design and fit out projects, our project team will also participate at this stage to ensure there are no material issues regarding the implementation of the fit out works. Upon acceptance of our layout plan and preliminary design, we will prepare a design presentation proposal. Our design presentation proposals are issued in our own format which normally set out technical and 3D drawings, layout plans, presentation boards and our quotation, which typically includes contract sum, breakdown description of works to be carried out, location of project, proposed timeline, proposed payment schedule and proposed defect liability period (if any). A presentation board will normally contain the materials proposed to be used such as types of stone, steel, wood, marble and fabric. Our design presentation proposals are generally valid for 14 days or 30 days from the date of issue.

***Appointment and 1st invoice***

Should our customers decide to proceed, our customers are required to sign a letter of appointment or counter-sign our quotation which constitutes the service agreement and will state that (i) our Group is appointed to perform design or design and fit out management services; (ii) our Group is allowed to act on its behalf to co-ordinate with all parties relevant to the project; and (iii) our Group is allowed to submit any necessary designs to the management office where the relevant project is located on behalf of our customers. Once the letter of appointment has been received or our quotation is accepted and counter-signed by our customer, we will issue an invoice for the initial payment of the contract sum. According to the agreed terms and upon receipt of the initial payment, we will proceed to fit out stage. For design projects, our project is completed once our customers have acknowledged and accepted our design.

***Variation order***

Whilst our quotation for our services includes pricing of the works to be carried out, it is often the case that there may be alterations made to a design which may affect the overall pricing. Any changes to the agreed pricing will require written variation orders to be approved and signed by our customers. The basis of calculating the fee for the variation order is in line with our cost-plus pricing policy. During the Track Record Period and up to the Latest Practicable Date, we had no material dispute with our customers relating to variation orders.

***Fit out stage******Project management***

At this stage, we will take possession of the premises and make record of all defects discovered at the time of handover. We will assign our site supervisor from our project team, who is to be primarily stationed at the site to monitor the fit out works carried out by our customers' nominated fit out contractors or our fit out subcontractors or subcontractors selected by building management. In some cases where the fit out subcontractors are selected by our Group, we will directly procure our materials suppliers from our approved list of materials suppliers to deliver certain fit out materials such as carpets, tiles, fabrics, lightings and metal hardware to the site while in some other cases, our fit out subcontractors will source them from their own materials suppliers. Weekly progress meetings are convened by our project team and subcontractors to keep track of the project progress and identify and solve any issues. In particular, various reports such as quality management control report, safety control report, indoor air quality report and project progress report will be discussed at the weekly progress meeting. Our customers are invited to join the weekly progress meeting and site inspection. We bill our customers at different stages according to the terms as set out in the agreed quotation. Whilst the design has been accepted by our customers, the design process is a continually evolving process throughout the whole project and during the fit out stage, we may receive ongoing comments on the design from our customers and will refine our design to meet our customers' satisfaction. Our project management staff will regularly prepare project progress report for each project and we will determine the time of project completion based

on this report. If any defects are found at the time of handover, normally we will prepare a handover defect list and procure our fit out subcontractors to fix the defects free of additional charges in the event that the fit out subcontractors are selected by us. Otherwise, we will liaise with our customers' nominated fit out contractors or subcontractors selected by building management (as the case may be) on behalf of our customers to ensure that the defects are fixed and the retention monies will normally be settled around one to three months after completion of the project.

### **Aftersales stage**

#### ***Defect liability period***

In the event that our fit out subcontractors perform the fit out works, we normally offer three to 12 months defect liability period and within such period, we offer to rectify any defects free of additional charges that are not caused by our customers. Our customer service officer, being a member of our sales and marketing team, is responsible to follow-up on any matters relating to defects within the defect liability period and to co-ordinate with our project team to procure our fit out subcontractors to fix the relevant defect with no additional costs to us or our customers during the defect liability period. In some cases, retention monies will be settled upon conclusion of the defect liability period. During the Track Record Period, no material defects were identified in our Group's projects within their defect liability period. Outside of the defect liability period, we may, upon request, provide or procure to provide maintenance and aftersales services to our customers at an agreed fee. We also obtain verbal and written feedbacks from our customers to continuously improve and enhance our services.

Customer service has always been important to us and the success of our business. To distinguish ourselves from our competitors and to promote customer satisfaction, our customer service officer maintains close contact with our customers upon completion of a project. Our Directors believe that well-established maintenance and aftersales services will enhance our relationships with our customers thereby creating customer loyalty and expanding our existing customer base through the goodwill of our existing customers.

### **CUSTOMERS**

During the Track Record Period, we provided our services to our customers in projects which can be broadly classified as: (i) corporate projects — projects engaged by corporate clients for corporate use; and (ii) private projects — primarily high-value residential projects engaged directly by our individual customers or through designated corporate entities for private use. We do not have any long-term contracts with our customers and our contracts are entered into on a project-by-project basis.

## BUSINESS

For the years ended 31 December 2014 and 2015, the revenues from customers which are listed companies and their associated companies amounted to approximately HK\$18.9 million and HK\$30.4 million respectively, representing approximately 36.9% and 36.0% of our actual revenue recognised during both years respectively.

### Five largest customers

For the years ended 31 December 2014 and 2015, our Group's five largest customers by contracting party accounted for approximately 36.6% and 45.0% of our total revenue respectively, with the largest customer by contracting party accounting for approximately 9.2% and 18.2% of our total revenue respectively.

The tables below set out our Group's top five largest customers by contracting party during the Track Record Period:

#### For the year ended 31 December 2014

| <u>Rank</u>                                                 | <u>Name of customers</u>            | <u>Types of project</u>     | <u>Business relationship since</u> | <u>Revenue recognised</u><br>(HK\$'000) | <u>% of total revenue</u> |
|-------------------------------------------------------------|-------------------------------------|-----------------------------|------------------------------------|-----------------------------------------|---------------------------|
| 1.                                                          | Customer A                          | Design and fit out — Office | 2014                               | 4,695                                   | 9.2                       |
| 2.                                                          | Wonderful Sky Finance Group Limited | Design and fit out — Office | 2002                               | 3,941                                   | 7.7                       |
| 3.                                                          | Customer C                          | Design and fit out — Office | 2010                               | 3,615                                   | 7.1                       |
| 4.                                                          | Customer D                          | Design and fit out — Office | 2013                               | 3,261                                   | 6.4                       |
| 5.                                                          | Customer E                          | Design and fit out — Office | 2014                               | 3,176                                   | 6.2                       |
| Total revenue contributed by our top five largest customers |                                     |                             |                                    | <u>18,688</u>                           | <u>36.6</u>               |

#### For the year ended 31 December 2015

| <u>Rank</u>                                                 | <u>Name of customers</u>   | <u>Types of project</u>         | <u>Business relationship since</u> | <u>Revenue recognised</u><br>(HK\$'000) | <u>% of total revenue</u> |
|-------------------------------------------------------------|----------------------------|---------------------------------|------------------------------------|-----------------------------------------|---------------------------|
| 1.                                                          | Hong Kong JEBN Limited     | Design and fit out — Commercial | 2014                               | 15,380                                  | 18.2                      |
| 2.                                                          | Customer G ( <i>Note</i> ) | Design and fit out — Office     | 2010                               | 6,306                                   | 7.5                       |
| 3.                                                          | Customer H                 | Design and fit out — Office     | 2015                               | 5,926                                   | 7.0                       |
| 4.                                                          | Customer I ( <i>Note</i> ) | Design and fit out — Office     | 2010                               | 5,402                                   | 6.4                       |
| 5.                                                          | HCD Holdings Limited       | Design and fit out — Office     | 2015                               | 4,948                                   | 5.9                       |
| Total revenue contributed by our top five largest customers |                            |                                 |                                    | <u>37,962</u>                           | <u>45.0</u>               |

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## BUSINESS

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The table below sets out our Group's top five largest customers by contracting group companies for the year ended 31 December 2015. Our Group's top five largest customers by contracting group companies for the year ended 31 December 2014 were the same as that by contracting party and is already set out above.

| <u>Rank</u>                                                 | <u>Name of customers</u> | <u>Types of project</u>         | <u>Business relationship since</u> | <u>Revenue recognised</u><br>(HK\$'000) | <u>% of total revenue</u> |
|-------------------------------------------------------------|--------------------------|---------------------------------|------------------------------------|-----------------------------------------|---------------------------|
| 1.                                                          | Hong Kong JEBN Limited   | Design and fit out — Commercial | 2014                               | 15,380                                  | 18.2                      |
| 2.                                                          | Group J ( <i>Note</i> )  | Design and fit out — Office     | 2010                               | 14,507                                  | 17.2                      |
| 3.                                                          | Customer H               | Design and fit out — Office     | 2015                               | 5,926                                   | 7.0                       |
| 4.                                                          | HCD Holdings Limited     | Design and fit out — Office     | 2015                               | 4,948                                   | 5.9                       |
| 5.                                                          | Customer K               | Design and fit out — Office     | 2015                               | 3,057                                   | 3.6                       |
| Total revenue contributed by our top five largest customers |                          |                                 |                                    | <u>43,818</u>                           | <u>51.9</u>               |

*Note:* Group J comprises Customer G, Customer I and another non-top five largest customers, which are related companies. The revenue recognised for Group J for the year ended 31 December 2014 amounted to approximately HK\$17,000.

### Background information on our customers

#### *Customer A*

Customer A is a local retailer of mobile phones and a wide range of information technology products, such as tablets, digital cameras, handsets and other accessories. According to information available on the customer website, as of April 2016, it has more than 25 shops located around Hong Kong, Kowloon and the New Territories. We have been engaged for the interior design, fit out work and overall project management for its new office.

#### *Wonderful Sky Finance Group Limited*

Wonderful Sky Finance Group Limited is a public relations consultancy firm publicly traded on the Stock Exchange principally engaged in providing public relations services, investor relations services and financial printing services. In addition to 20 years' of experience in financial public relations service, Wonderful Sky Finance Group Limited also provides integrating A+H shares corporate services including M&A, IPOs, bond issuance and restructuring. We have been engaged for the interior design, fit out work and overall project management for its new office.

#### *Customer C*

Established in 1988, Customer C is a luxury goods group which designs, manufactures, distributes and sells premium jewellery, watches, leather goods, writing instruments, clothing and accessories. Customer C's parent company is publicly traded on the SIX Swiss Exchange and the Johannesburg Securities Exchange. We have been engaged for the interior design, fit out work and overall project management for its workshop.

### *Customer D*

Customer D is a subsidiary of a global leader in branded lifestyle apparel, footwear and accessories founded in 1899 that owns more than 30 brands. Headquartered in the United States of America, the parent company is publicly traded on the New York Stock Exchange. The group's businesses and brands are organised into five categories called coalitions, comprising: outdoor and action sports, jeanswear, imagewear, sportswear and contemporary brands. We have been engaged for the interior design, fit out work and overall project management for its workshop.

### *Customer E*

Customer E is a local fine jewellery exporter, who exports high quality fine jewellery products including diamond, gold and silver to wholesalers, retailers, chain stores across the globe. Its customers are from all over the world including Middle East, Southeast Asia, Europe, the United States of America and Canada. We have been engaged in interior design, fit out work and overall project management for its new office.

### *Hong Kong JEBN Limited*

Hong Kong JEBN Limited was incorporated in 1998. It operates upper floor shops and sells a large variation of products in the form of self-service marts, such as swallow's nests, cordyceps, sea cucumbers and dried abalones and other dried seafood along with herbal tonics, various other Japanese, Korean and international products. In addition, Hong Kong JEBN Limited produces its own line of ready-to-eat products at its own factory in Hong Kong. We have been engaged for the interior design and fit out work for its shopping mall.

### *Customer G*

Customer G is a compressor exporter in Hong Kong. Customer G's parent company is publicly traded on the Tokyo Stock Exchange and is a constituent of the Nikkei 225 and the Tokyo Stock Price Indices, and has a secondary listing on the Nagoya Stock Exchange. Customer G, Customer I and another non-top five largest customer are related companies. We have been engaged for the interior design and fit out work for its office.

### *Customer H*

Customer H was created by statute with the aim of encouraging and supporting export trade by providing Hong Kong exporters with insurance protection against non-payment risks arising from commercial and political events. Customer H is required to operate in accordance with the requirements laid down in the Hong Kong Export Credit Insurance Corporation Ordinance and to pursue a policy directed towards securing revenue sufficient to meet all expenditure properly chargeable to its revenue account. It is a 'public body' under the POBO. We have been engaged for the interior design, fit out work and overall project management for its office.

### *Customer I*

Customer I primarily conducts business in retailing electronic and household appliances. Customer I's parent company is publicly traded on the Tokyo Stock Exchange and is a constituent of the Nikkei 225 and the Tokyo Stock Price Indices, and has a secondary listing on the Nagoya

Stock Exchange. Customer I, Customer G and another non-top five largest customer are related companies. We have been engaged for the interior design, fit out work and overall project management for its office.

### *HCD Holdings Limited*

HCD Holdings Limited's group specialises in marketing and distributing products to healthcare providers in Hong Kong and the PRC. HCD Holdings Limited services the medical and scientific laboratory fields. The main product categories marketed are Automatic Diagnostic system and reagents on chemical and immunological analysis, Hydrogen Peroxide Bio-decontamination equipment and service, Agar Pouring System, ELISA system, Tissue Culture system and consumables, Various Airflow System such as Biological Safety Cabinet, Ducted and Ductless Fume Cupboard and Laminar Flow system, Spiral Plate and Counting system, Microaerophilic and Anaerobic workstation, IVF system and reagents, Mortuary and Funeral Director products., etc with general laboratory apparatus and consumable. We have been engaged for the interior design, fit out work and overall project management for its office.

### *Customer K*

Customer K is a professional services and investment management firm offering specialised real estate services to clients seeking increased value by owning, occupying and investing in real estate. Customer K's parent company is publicly traded on the New York Stock Exchange. Customer K has over 33,000 employees operating in 92 offices in 16 countries across the region. We have been engaged for the interior design and fit out work for the building lobby of one of Customer K's clients.

Save for Customer G and Customer I, being companies related to each other, none of the other customers are related.

### **Our Group's relationship with Hong Kong JEBN Limited**

In 2015, our Group was able to secure a commercial project from Hong Kong JEBN Limited by demonstrating our Group's ability to provide high quality design, project management and customer services during the first request for proposal from Hong Kong JEBN Limited in 2014. In 2014, Hong Kong JEBN Limited, upon reading our profile on the website of Hong Kong Trade Development Council, contacted us for our brochure and marketing materials and visited our office to further understand our operations and experience in the industry. To its satisfaction, it invited our Group for a request for proposal to renovate a lobby. Although our Group did not secure the project due to lack of experience in renovating lobbies, we had successfully given a positive impression with Hong Kong JEBN Limited having noted the quality of our Group's design, project management and customer services during the whole request for proposal process.

Having noted the quality of our Group's design and the ability of our Group in providing fit out management services in the first request for proposal in 2014, Hong Kong JEBN Limited subsequently invited our Group for a request for proposal on another project for a sizeable shopping mall in 2015. Hong Kong JEBN Limited initially requested us to provide proposal for design and upon receiving our design, we managed to impress Hong Kong JEBN Limited which led to them further requesting us to provide proposal for fit out management services as well. Our Directors are of the view that the success was a result of our ability to provide high quality design and fit out management services and our capability to deliver our jobs in a timely manner to the

satisfaction of our customers. An independent qualified surveyor was engaged by Hong Kong JEBN Limited to review and liaise with us on the quotation of the project. After the quotation was reviewed and assessed by the independent qualified surveyor with reference to its database on market rates of projects of comparable size and quality, taking into account the quality of design and the fit out materials required, the project was awarded to us. Our quotation was comparable to market rates and determined by us and Hong Kong JEBN Limited after an arm's length negotiation. Our Directors confirm that we are able to secure commercial projects with comparable size and profit margin going forward because in 2016, we have submitted three other commercial proposals, one of which with contract sum of approximately HK\$18.5 million. As at the Latest Practicable Date, we had already secured two commercial projects with the same customer with total contract sum of approximately HK\$9.0 million.

None of our Directors or their close associates or any Shareholders holding 5% or more of the issued share capital of our Company had any interest in any of the above five largest customers during the Track Record Period. All of our five largest customers during the Track Record Period are Independent Third Parties.

In addition, to the best knowledge of our Directors, some of the contracting parties that entered into contracts during the Track Record Period with our Group are associated with companies that are listed on stock exchanges. Our Directors believe that this is a common trade practice in the industry for our customers to contract with us by using separate corporate entities for different projects.

During the Track Record Period, we had maintained a good relationship with our customers and did not have any material disputes with any of them. Also, during the Track Record Period, we had not received any material customer complaints.

### **Salient terms of contracts with our customers**

The general terms of our service contracts may vary based on negotiations with our customers but normally it will be based on our standard format of contract.

Subject to the credit risk of specific customers, we generally do not grant credit terms to our customers. Payment to us by our customers are usually made by cheque. Our management and responsible staff conduct regular reviews on customers' payment history and overdue payment (if any). Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there had been no notification and indication of non-payment of our trade receivables or the need to make provisions for our trade receivables.

The principal terms of the contracts with our customers are generally similar and are summarised below:

### ***Scope of services, location and contract period***

Our quotations will set out a detailed breakdown of the works to be carried out, the location of the project and the expected timeframe of completion. We may also specify in our quotations that in certain circumstances such as variation orders or where additional works are required, there should be an extension of the expected timeframe of completion. Typically, our contract for design

and fit out projects last for around three to 12 months (excluding defect liability period) depending on the complexity and location of the project; whereas for our contract for design only projects, the duration is typically shorter as we are not involved in the fit out works.

### ***Defect liability period***

In the event that our fit out subcontractors perform the fit out works, our quotations will provide a defect liability period which typically ranges from three to 12 months from the date of handover during which our Group is required to attend to any defects upon completion of the projects. Our fit out subcontractors provide our Group with the same defect liability period which we provide to our customers for each project so that we can engage our fit out subcontractors to fix the defects with no additional costs during the defect liability period.

### ***Fees chargeable, deposit and payment terms***

Our quotations will set out the fees chargeable by us (including circumstances for fee adjustment) and the payment terms. An initial payment, being the deposit of approximately 30% of the total contract sum, is usually required to be paid by our customers prior to commencement of our work which will be used to settle the total contract sum upon completion of our work. Our fees chargeable are fixed in HK\$. Any additions or adjustments to pricing, which is often the case, requires a written variation order to be approved and signed by our customers. The terms of the variation order typically include, scope of services, fees chargeable, site location and payment terms. We usually agree to a progress payment arrangement whereby our service fees are paid at different stages of the project. The different stages of the project are normally specified as percentage of work done or completion of certain phases of work. Our Company considers the last progress payment as retention monies which will normally be settled around one to three months after completion of the project if there is no defect liability period or upon conclusion of the defect liability period for projects of which the fit out subcontractors are selected by us.

### ***Surety bond***

On some occasions upon request by our customers, we will provide security in the form of surety bond whereby a surety, being a bank or an insurance company, shall satisfy and discharge any damages sustained by our customers up to approximately 10% of the total contract sum, which may be supported by our Group. Such surety bond will cease to have effect and expire upon completion of the project. During the Track Record Period, our Controlling Shareholders had provided fixed deposits and/or indemnities in respect of certain surety bonds. For details, please refer to the paragraph headed “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial independence” in this prospectus. During the Track Record Period and up to the Latest Practicable Date, no surety bond had been called upon by our customers.

## BUSINESS

### SUPPLIERS

Our suppliers are broadly categorised into (i) materials suppliers and (ii) subcontractors. Our largest supplier accounted for approximately 12.6% and 13.0% of our subcontracting and materials costs for the years ended 31 December 2014 and 2015 respectively. Our top five largest suppliers accounted for approximately 32.0% and 31.0% of our subcontracting and materials costs for the years ended 31 December 2014 and 2015 respectively, and are all located in Hong Kong. Set out below is a breakdown of our Group's subcontracting and materials costs by our five largest suppliers during the Track Record Period:

#### For the year ended 31 December 2014

| <u>Rank</u>                                         | <u>Name of suppliers</u> | <u>Materials/<br/>services provided</u> | <u>Business<br/>relationship since</u> | <u>Subcontracting<br/>and<br/>materials costs</u><br>(HK\$'000) | <u>% of total<br/>subcontracting<br/>and materials<br/>costs</u> |
|-----------------------------------------------------|--------------------------|-----------------------------------------|----------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------|
| 1.                                                  | Supplier A               | Carpentry services                      | 2008                                   | 4,464                                                           | 12.6                                                             |
| 2.                                                  | Supplier B               | Ceiling services                        | 2000                                   | 2,137                                                           | 6.0                                                              |
| 3.                                                  | Supplier C               | Electrical engineering<br>services      | 2000                                   | 2,041                                                           | 5.8                                                              |
| 4.                                                  | Supplier D               | Masonry services                        | 2002                                   | 1,467                                                           | 4.1                                                              |
| 5.                                                  | Supplier E               | Waste disposal services                 | 2009                                   | <u>1,230</u>                                                    | <u>3.5</u>                                                       |
| Total amount paid to our top five largest suppliers |                          |                                         |                                        | <u>11,339</u>                                                   | <u>32.0</u>                                                      |

#### For the year ended 31 December 2015

| <u>Rank</u>                                         | <u>Name of suppliers</u> | <u>Materials/<br/>services provided</u> | <u>Business<br/>relationship since</u> | <u>Subcontracting<br/>and<br/>materials costs</u><br>(HK\$'000) | <u>% of total<br/>subcontracting<br/>and materials<br/>costs</u> |
|-----------------------------------------------------|--------------------------|-----------------------------------------|----------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------|
| 1.                                                  | Supplier A               | Carpentry services                      | 2008                                   | 7,209                                                           | 13.0                                                             |
| 2.                                                  | Supplier F               | Various subcontracting<br>services      | 2015                                   | 3,320                                                           | 6.0                                                              |
| 3.                                                  | Supplier B               | Ceiling services                        | 2000                                   | 2,597                                                           | 4.7                                                              |
| 4.                                                  | Supplier G               | Air-conditioning<br>services            | 2002                                   | 2,078                                                           | 3.7                                                              |
| 5.                                                  | Supplier D               | Masonry services                        | 2002                                   | <u>1,976</u>                                                    | <u>3.6</u>                                                       |
| Total amount paid to our top five largest suppliers |                          |                                         |                                        | <u>17,180</u>                                                   | <u>31.0</u>                                                      |

None of our Directors or their close associates or any Shareholder holding 5% or more of our Company's issued share capital had any interests in our five largest suppliers as at the Latest Practicable Date.

### **Materials suppliers**

We source certain fit out materials directly from our materials suppliers. The types of fit out materials which we purchase typically include lightings, carpets, tiles, wallpapers, ironmongery and fabrics. We do not enter into any long-term supply agreement with our materials suppliers and purchases of fit out materials are only made as and when required. Since our early establishment, we have built up a list of materials suppliers that we have worked and maintained a good relationship with. We do not rely on any one particular materials supplier as each and every design may be different and require different sort of materials to suit our need. Our Directors believe that we do not depend on any of our materials suppliers as we have a number of alternative materials suppliers for all major fit out materials. We normally do not enter into any formal agreements for the purchase of fit out materials.

During the Track Record Period, all of our materials suppliers are Independent Third Parties. As at the Latest Practicable Date, we had 14 approved materials suppliers for the provision of fit out materials, many of whom have a relationship with us for over eight years. Materials suppliers who would like to be included in our suppliers list are required to complete and return our prescribed application form for registration together with a copy of their business registration certificate and job reference list. To become our approved materials suppliers, we will take the following criteria into consideration: (i) their ability and willingness to make timely delivery of goods and services of the required quality; (ii) reasonableness of the price and credit terms; and (iii) necessary license for certain area of work. In addition, for any new materials suppliers, we will engage them for small orders as a way to pre-assess whether their materials comply with our specific project requirements.

During the Track Record Period, we had neither had any disputes with our fit out materials suppliers nor encountered any material difficulties in procuring materials and we had not experienced any significant delay in delivery of fit out materials by our materials suppliers causing material disruption of our projects.

One commonly used fit out material in our designs is wood for flooring, built-in furniture and carpentry works. Our Directors are not aware that any materials supplied to our Group are from illegal source.

### **Subcontractors**

Most of our subcontracted works are 3D drawing drafting works, carpentry works, marble works, installation and production of furniture, partitioning works, ceiling works, glassware works, electrical works, plumbing and drainage works, steel works, waste disposal works and masonry work. Our Directors believe that by adopting our subcontracting business model, we are able to maintain a low fixed cost in overhead and more effectively manage our projects by relying on others' established expertise and skill set when and as required. Whilst we offer fit out services to our customers, our employees are not directly engaged in the provision of any on-site implementation services and such works are outsourced to nominated contractors which will be selected by our customers or subcontractors selected from our approved list of subcontractors or building management's nominated subcontractors. In the event that the fit out subcontractors are selected by our Group, they will also be responsible for the supply of or procuring the supply of certain fit out materials to be used in the fit out works. In most cases, the fees quoted by our fit out subcontractors are inclusive of materials and services. To the best knowledge of our Directors, this manner of quotation is a common practice in the interior design and fit out industry. For certain fit out materials, we will utilise our network in sourcing and procuring the fit out materials to be purchased and delivered to the project site for our fit out subcontractors' handling.

During the Track Record Period, all of our subcontractors are Independent Third Parties. As at the Latest Practicable Date, we had 66 approved subcontractors from which we may choose to carry out various types of drafting and fit out works. Many of our subcontractors that we have on our approved list of subcontractors have worked with us for over eight years and have established a solid and good working relationship with us and this helps facilitate communication with the subcontractors to ensure quality and timely performance of their works.

Our Company has also adopted internal control measures to ensure the quality of our subcontractors. Subcontractors who would like to be included in our approved list of subcontractors are required to complete and return our prescribed application form for registration. To become our approved subcontractors, we will take the following criteria into consideration: (i) their ability and willingness to make timely delivery of goods and services of required quality; (ii) reasonableness of the price and credit terms; and (iii) capacity and capabilities including but not limited to possession of necessary licenses, permits or certificates and compliance with all applicable laws, regulations and other requirements in carrying out fit out works. We regularly evaluate the performance of our subcontractors and our approved list of subcontractors will be reviewed and updated regularly. For any new subcontractors, we will engage them for small works as a way to pre-assess whether their services can comply with our specific project requirements. Our customers may also choose to select their nominated contractors or building management may choose to select its nominated subcontractors, in both cases the subcontractors will be directly engaged by our customers.

During the Track Record Period, we had neither had any disputes with our subcontractors nor experienced any material difficulties in finding subcontractors to undertake the works for our projects. We require our fit out subcontractors to carefully check the identification documents of their workers to ensure that no illegal workers are hired to work on the sites for which we are responsible. Our staff will also check the identification documents of on-site workers to prevent our fit out subcontractors from using illegal workers. During the Track Record Period, no illegal workers were reported on the sites for which we are responsible.

Our Directors believe that having the flexibility to engage subcontractors to carry out our fit out works of the project would provide us the flexibility to better manage our manpower and better utilise our own internal resources to be deployed in different projects.

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

### **Salient terms of contracts with our subcontractors**

The principal terms of contracts with our subcontractors are summarised below:

#### ***Scope of services, location and contract period***

Our contracts with our subcontractors typically state that the site location and scope of services, which may include description of services and materials to be used, shall be in accordance with the specifications stated in each quotation we agreed with our customers.

#### ***Insurance and defect liability period***

Our contracts usually require our subcontractors to effect and maintain all necessary, including but not limited to, insurance all-risk and third party liability insurance and employees' compensation insurance and provide defect liability period, which is typically around three to 12 months from the date of completion and requires our fit out subcontractors to attend to any defects during the defect liability period. The defect liability period provided by our fit out subcontractors normally matches with the defect liability period we provided to our customers in accordance with each quotation, so that our fit out subcontractors will bear any costs for fixing any defects relating to fit out works within the defect liability period.

#### ***Fee chargeable, prepayment and payment terms***

Our contracts will set out the fees chargeable by our subcontractors (including circumstances for adjustment) and the payment terms. The circumstances for adjustment are normally due to change of scope of work performed by subcontractors at our and/or our customers' request. Our Directors confirmed that we had not experienced any material cost overrun during the Track Record Period and up to the Latest Practicable Date. For larger projects, we may be required to prepay a certain amount of start-up costs such as prepayment of subcontracting and material costs prior to commencement of their work of which the prepayment will be used to settle the total fees upon completion of their work. The subcontracting fees chargeable are fixed in HK\$.

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The credit terms granted by our subcontractors are generally 30 days from the date of invoice. Payments to our subcontractors are usually made by cheque.

### ***Compliance with laws and regulations***

As advised by our Hong Kong Legal Counsel, our contract provides that our subcontractors shall at all times comply with all applicable laws, regulations and other legal requirements and our subcontractors have the obligation and contractual duty to obtain required licenses in accordance with applicable laws and regulations. The exposure of our Company to any liability arising out of the failure to obtain such licenses would be remote. In the event that the subcontractors fail to comply with the applicable laws, regulations and other legal requirements in carrying out the fit out works, our Company can have the following recourses including, *inter alia*: (i) commencing legal action against the subcontractors for the breach of contract to claim loss by way of damages; (ii) terminating the contract under a termination clause in the contract due to the breach of a clause requiring subcontractors to obtain required licenses; and (iii) seeking indemnity from subcontractors pursuant to an indemnity clause in the contract.

### **PRICING**

Pricing of our projects is based on our estimated time and costs. When determining the appropriate prices of our projects, we take into account our customers' acceptable range of service price based on our past dealings with the customer and a number of other factors such as the scale, complexity and specification of the project, our capacity, project duration, the estimated project cost (which mainly includes the subcontracting and material costs) based on fee quotes provided by our materials suppliers and subcontractors periodically, historical fee we received for similar project, the current fee level in the market and the competitive conditions. In certain cases, we offer discounts to our recurring customers or reputable corporate customers (being, for example, chained local or international retail brands), generally of not more than 10% of the total contract sum. Our direct margin, defined as revenue less subcontracting and material costs, for the years ended 31 December 2014 and 2015 amounted to approximately 30.7% and 34.3% respectively. For details, please see the paragraph headed "Financial Information — Discussion and Analysis of Principal Components of Results of Operations — Year ended 31 December 2014 compared to year ended 31 December 2015 — Direct margin" in this prospectus.

Details of a sensitivity analysis is also set out in the paragraph headed "Financial Information — Key Factors Affecting our Results of Operations and Financial Conditions — Hypothetical sensitivity analysis" in this prospectus.

### **SALES AND MARKETING**

We adopt direct marketing strategies. A majority of our customers were either recurring customers or customers which are referred by our existing or previous customers during the Track Record Period. During the Track Record Period, certain of our commercial and residential projects awarded to us were referred to us by our existing customers or personal contacts of our Directors or through the website of Hong Kong Trade Development Council. We are able to maintain a close

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relationship with customers from all segments who will recommend us to their friends for residential interior design and fit out services. We believe the maintenance and aftersales services provided to our customers form the crux to achieving customer loyalty and retention. Customer loyalty strengthens our corporate and brand image and the associated benefits help our business to scale to greater heights. We also conduct calls to solicit business from potential customers who have no prior contact with us. For certain customers, we may also need to undergo their selection process before they decide whether to award us the contracts. Since establishment in 1999, we have primarily focused on and specialised in the office segment in Hong Kong. We have ongoing relationship with certain renowned professional services and investment management companies whereby they will engage us or refer projects to us.

As part of our corporate strategy, we plan to build our brand and strengthen our marketing effort to further increase our market share. We also have a commission scheme for our sales and marketing staff to further provide incentive and reward to our staff so as to motivate them to capture more business opportunities. According to our Hong Kong Legal Counsel, it is totally lawful for our Company to pay our employees commission in accordance with the contract entered between our Company and our employees. Details of our corporate strategies are set out in the paragraph headed “Business — Business Strategies” in this prospectus.

During the Track Record Period, our marketing expenses were nominal. Our Directors are of the view that sales and marketing is crucial to attract more request for proposals from potential customers. For details of our Company’s workflow, please refer to the section headed “Business — Operating Procedures” in this prospectus.

### SEASONALITY

Our Group’s revenue is not subject to seasonality.

### INVENTORY CONTROL

Our Group does not hold any inventory to be used for future projects. Fit out materials are purchased and used on a project-by-project basis and will be delivered to the site upon order is made.

### QUALITY CONTROL

Our Directors believe that management on quality of our services and materials procured for our clients is essential to our Group’s operations. To ensure the quality of our services and materials procured for our customers, we have implemented the following procedures:

- (a) Design: The design is generally the spirit of each project. To ensure that the quality of our design is up to standard, our design team will review and comment on the works of our drafting subcontractors on an ongoing basis to ensure the detailed design adheres to our customers’ specifications and expectations.

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- (b) Procurement: As part of our services, we procure a considerable amount of fit out materials to be used in our projects from our approved materials suppliers. To ensure the quality of the fit out materials procured, we conduct an inspection of all fit out materials upon delivery. Fit out materials that do not meet our standards or specifications will be rejected and our sales and marketing team will be responsible to liaise with our materials suppliers. Upon request by customers, we will also arrange to perform material test where necessary.
- (c) Subcontract: Our Group has an approved list of subcontractors, many of which we have worked with for more than eight years. The subcontractors for our projects will either be our customers' nominated contractors which will be directly engaged by our customers or selected by our Group from the approved list of subcontractors which we have a good understanding and experience of their service quality or building management's nominated subcontractors which will also be directly engaged by our customers.
- (d) Project management: Our design team and sales and marketing team oversee all projects from the start and our project team will be involved upon appointment by our customers. Our project team conduct weekly meetings with the relevant parties and customers to ensure that each of them have full knowledge and understanding of the progress of a project. Our project management staff will normally be on-site to monitor the works performed by the fit out subcontractors to ensure that all works are done in accordance with our customers' approved designs and other requirements of our customers.

## COMPETITION

According to Euromonitor Report, the office interior design services market in Hong Kong is highly fragmented and competitive, with approximately 1,000 interior design firms offering office interior design services. The fragmented market is a reflection of the lack of barriers of entry to the interior design industry, where not much capital is required to start up an interior design firm, and certain work can be outsourced to subcontractors where necessary. With intensifying competition, Hong Kong office interior design companies have been seeking projects in the PRC to generate higher revenues. In recent years, many new office interior design companies have emerged in the PRC market, offering services at cheaper prices and competitive quality. In addition, mainland Chinese office interior design companies have been entering the Hong Kong market due to the low entry barriers, creating more competition. However, successfully establishing the business and obtaining long-term success is difficult because it is challenging to retain and newly attract a stable base of customers as the industry is largely driven by credibility and a positive track record. Office interior design companies in Hong Kong strive to differentiate themselves with competitors through aspects such as price, design aesthetics and efficiency of the services provided in order to stand out in the highly competitive market.

Our Directors believe that we have distinguished ourselves from our competitors on the basis of our Group's competitive strengths as set out in the paragraph headed "Business — Competitive Strengths" in this prospectus. Over the years, our Group has been establishing a market position as being specialised in creating quality office interior design that can fit our customers' needs. Our

Company believes that our project team together with our sales and marketing team contributed the success of our well-established relationship with our customers. However, in a highly competitive industry where our competitors may have better technical, financial and marketing resources than our Group, and customers' preferences may change unpredictably, our Group cannot assure that we will remain competitive in the future.

### ENVIRONMENTAL MATTERS

The interior design and fit out industry may have an inevitable impact on the environment as our services may indirectly generate waste as a result of the need to alter existing building materials so that our fit out services can be implemented by the fit out subcontractors. This may involve the disposal of construction waste which must be disposed at a designated waste disposal facility. The works relating to disposal of waste are outsourced to subcontractors and the costs involved are factored into the proposal given by us to our customers during the quotation and design stage.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not been the subject of any environmental non-compliances in Hong Kong.

Please refer to the section headed "Regulatory Overview" in this prospectus for further information about environmental laws and regulations. We have obtained all the required environmental related permits and approvals where applicable, for the projects carried out by us during the Track Record Period.

### SOCIAL RESPONSIBILITY

With the commitment to being a socially responsible corporation, we are dedicated to develop and implement sustainably good corporate policies in areas including environmental protection, staff management and development as well as occupational health and safety.

### HEALTH AND SAFETY

Our Group is committed to provide a safe and healthy working environment to our employees and others who may be affected by our projects. Our employees are not engaged in the provision of any fit out works and the principal exposure of our employees to any work safety occurs when our employees are required to be on-site for meetings, site visits and perform inspection of our project's progress. We emphasize to our employees that strict compliance with safety requirements is vital to ensure that there are no accidents to themselves or others that work on our projects.

All of our fit out works are carried out by our customers' nominated fit out contractors or our fit out subcontractors or subcontractors selected by building management who may be qualified or certified professionals in their field such as electricians, home and office furniture workers, carpenters, marble workers, masonry workers, plumbing and drainage workers, steel workers. As such, to the best of our ability, we require those subcontractors who undertake our projects to abide

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by all safety laws, rules, regulations, measures and procedures as well as all safety requirements and comply with all current enactments relating to their works. We inspect our fit out subcontractors' qualification and license on a regular basis.

During the Track Record Period, no prospection had been laid against us by any relevant authorities in respect of violation of applicable laws and regulations of health and safety.

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.

### INSURANCE

All of the projects undertaken by our Group are normally protected by all-risks insurance which also includes third party liability taken out by us. Such insurance policy generally extends for the entire contract period of the project. We have also maintained employees' compensation insurance for our employees in accordance with the laws and regulations in Hong Kong. We are also typically required to maintain and effect contractor all risks and third party insurance for our fit out subcontractors, although we are not required under the relevant law to take out employees' compensation insurance for our fit out subcontractors' employees. Such insurance costs are factored into the quotation provided to our customers which is in line with our pricing policy. Our Directors confirm that the above insurance coverage is adequate for the operation of our business and is line with the industry norm.

### INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group owned one registered trademark and two domain names in Hong Kong and was applying for the registration of another trademark in Hong Kong.

Details of our intellectual property rights are set out in paragraph headed "8. Intellectual Property Rights of our Group" in Appendix IV to this prospectus. In general all designs arising from our projects shall be our Group's property.

As at the Latest Practicable Date, we were not aware of any 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.

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### PROPERTY

As at the Latest Practicable Date, our Group did not own any property and leased one property used by our Group. As at the Latest Practicable Date, we leased the following property in Hong Kong:

| <u>Address</u>                                                                 | <u>Usage</u> | <u>Approximate area</u><br>(sq. ft.) | <u>Lease expiry date</u> |
|--------------------------------------------------------------------------------|--------------|--------------------------------------|--------------------------|
| Unit A, 35/F., EGL Tower<br>83 Hung To Road<br>Kwun Tong, Kowloon<br>Hong Kong | Office       | 2,620                                | 24 April 2018            |

For the years ended 31 December 2014 and 2015, our expenses for property rental and rate and building management fees were approximately HK\$0.64 million and HK\$0.67 million respectively. During the Track Record Period, we had not experienced any difficulty in renewing our leases.

### EMPLOYEES AND EMPLOYEE BENEFITS

As at 31 December 2014 and 2015 and the Latest Practicable Date, our Group had 19, 21 and 28 employees respectively. As at the Latest Practicable Date, we had one part-time employee and the rest were full-time employees all of whom are located in Hong Kong. The following table sets forth the number of our employees by functional role as at the Latest Practicable Date:

| <u>Function</u>            | <u>Number of employees</u> |
|----------------------------|----------------------------|
| Directors                  | 6                          |
| Design                     | 5                          |
| Project                    | 4                          |
| Finance and Administration | 6                          |
| Sales and Marketing        | 6                          |
| Operations                 | 1                          |
| Total                      | <u>28</u>                  |

The relationship and cooperation between our management and employees have been good and is expected to remain amicable in the future. Our Directors believe that our working environment and benefits offered to our employees have contributed to building good employee relations and retention. During the Track Record Period, we did not experience any strike or labour dispute with our staff which had a material effect on our business or results of operations.

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Our Group intends to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with our business development. We recruit employees primarily from the open market, internal reference and recruitment agents. For the years ended 31 December 2014 and 2015, our referral fees to recruitment agencies amounted to approximately HK\$23,000 and HK\$33,000 respectively.

With the aim to encourage our employees to continuously develop themselves by further education, we provide our employees on-the-job training relevant to their current roles in our Group. We also provide training regarding safety awareness and enhancement of design skills. We value our employees as our asset in which we invest our resources in order for them to make a greater contribution to our success.

For the years ended 31 December 2014 and 2015, the remuneration payable to our employees including fees, salaries, retirement benefit scheme contributions and other benefits were approximately HK\$6.4 million and HK\$7.2 million respectively. We determine the employee's remuneration based on factors such as qualifications, duties, contributions and years of experience. The key principle of the remuneration policy is to remunerate employees in a manner that is market competitive. We regularly carry out employees evaluation to assess their performance.

Our Company has conditionally adopted the Share Option Scheme in which certain eligible persons may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist in our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in paragraph headed "13. Share Option Scheme" in Appendix IV to this prospectus.

### **LICENSE & PERMITS**

Save as disclosed in the section headed "Regulatory Overview" in this prospectus, there is no specific licensing requirement for conducting our Group's business in Hong Kong in addition to what is generally required for carrying on businesses in Hong Kong. As at the Latest Practicable Date, our Group had obtained all material licenses, permits and certificates which are necessary for its operations in Hong Kong.

### **LEGAL PROCEEDING**

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any litigation, claim, administrative action or arbitration which had a material adverse effect on the operations or financial condition of our Group.

### **LEGAL COMPLIANCE AND RISK MANAGEMENT**

Our Directors confirm that save for the non-compliance incidents as disclosed below, we had complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

**Failure to comply with the permitted use as specified in the occupation permit and tenancy agreement**

| Causes of historical non-compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Reason for non-compliance                                                                                       | Legal consequence including potential maximum penalty and other financial liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Remedial actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Unit 2B, Cheung Wah Industrial Building, 10-12 Shipyard Lane, Quarry Bay, Hong Kong (the “<b>Hong Kong Leased Property</b>”) was used by us as office (design studio) (the “<b>Proposed Use</b>”). The permitted use as specified in the occupation permit is two workshops for non-domestic use and the tenancy agreement restricts its lessee not to use the premises for any purpose other than for carrying light industrial undertaking.</p> <p>Accordingly, the Proposed Use may not comply with the occupation permit and tenancy agreement.</p> | <p>The breach was not wilful and was due to absence of timely and professional advice at the material time.</p> | <p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant occupation permit is that AL Design and Mr. Yau and Ms. Sz, being the directors of AL Design, may be liable to a maximum fine of HK\$50,000 and maximum imprisonment of one year for a breach of Section 25(2) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the “<b>Buildings Ordinance</b>”).</p> <p>The consequence of a breach of tenancy agreement is that the landlord of the Hong Kong Leased Property is entitled to re-enter premises and the tenancy agreement shall be determined. The landlord of the Hong Kong Leased Property is also entitled to elect to forfeit the deposit instead if such a breach has caused any monetary loss to him.</p> <p>As defined in Section 2 of the Buildings Ordinance, “domestic”, when used in relation to a part of a composite building, means a part that is constructed or intended for habitation; “domestic building” means a building constructed or intended to be used for habitation and the expression “domestic purposes” shall be construed accordingly. Hence, “non-domestic use” is considered as any other use that is not intended for habitation of any person. According to our Hong Kong Legal Counsel, (1) the Proposed Use is clearly not intended for cohabitation of any person and hence it is clearly not for domestic purpose as defined in Section 2 of the Buildings Ordinance as being used for habitation; and (2) whether or not the Proposed Use is qualified as a “workshop” is debatable and it can be argued by reason that the Proposed Use involves manual labour and is not being a factory, the Proposed Use is consistent with the meaning of “workshop” as defined by the Oxford English Dictionary, which was taken into account by the Court in the case of <i>Samfit Limited v Hoi Tung Computer Label Industrial Company Limited</i> (unreported), HCA No. 10291 of 1993, 7 July 1994). On such basis, it is unlikely that a Court would rule that the Proposed Use is to be in contravention of the permitted use as workshop under the occupation permit.</p> | <p>During the Track Record Period and up to the Latest Practicable Date, (i) we had not been penalised by any government authority for our failure to comply with Section 25(2) of the Buildings Ordinance; and (ii) we had not received any notification from the landlord of the Hong Kong Leased Property that it would exercise the right to terminate the tenancy agreement and re-enter the Hong Kong Leased Property.</p> <p>Based on the opinion of our Hong Kong Legal Counsel, our Directors are of the view that the non-compliance incident is not material and that the risk of prosecution for the non-compliance is remote.</p> |

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| <u>Causes of historical non-compliance</u> | <u>Reason for non-compliance</u> | <u>Legal consequence including potential maximum penalty and other financial liabilities</u>                                                                                                                                                                                                                                                                                                                                                                                                                             | <u>Remedial actions</u> |
|--------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
|                                            |                                  | <p>In addition, the Proposed Use is also unlikely to be defined as light industrial undertaking, hence contravening the provisions in the tenancy agreement. Even though the Proposed Use may not be regarded as light industrial undertaking, this does not mean the Proposed Use will be regarded as for the purpose of habitation.</p> <p>Based on the opinion of our Hong Kong Legal Counsel, the non-compliance incident is not material and the risk of prosecution for the non-compliance incident is remote.</p> |                         |

In order to rectify the non-compliance of the occupation limit and tenancy agreement before the Listing, our Company has signed a tenancy agreement on 21 April 2016 and relocated to our new office on 30 May 2016. The monthly rental of the Hong Kong Leased Property was HK\$93,000 and the monthly rental of the new lease is HK\$100,000, of which the difference in rental is not considered to be significant. Our Directors consider that the costs for relocation was insignificant. Our Group has also taken into consideration all professional advice to ensure that the proposed use of the new lease will comply with all relevant laws and regulations. Based on the above, our Directors do not foresee any potential disruption in business or loss of revenue due to the relocation of our new office.

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### Non-compliance in relation to Companies Ordinance

| Causes of historical non-compliance                                                                                                                                                                                                                                                   | Reason for non-compliance                                                                                | Legal consequence including potential maximum penalty and other financial liabilities                                                                                                                                                                                                                                                                                                                                                                                   | Remedial actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AL Design failed to convene an annual general meeting within 18 months from the date of incorporation and failed to hold any annual general meetings (the “AGM(s)”) from the date of its incorporation to 2009 as required under Section 111(1) of the preceding Companies Ordinance. | The breach was not wilful and was due to absence of timely and professional advice at the material time. | <p>The consequence of non-compliance with the requirements to hold AGMs within the prescribed time limit is that AL Design, Mr. Yau and Ms. Sz, being the directors of AL Design, may be liable to a maximum fine of HK\$50,000 and a maximum daily default of HK\$300 for continued default.</p> <p>Based on the opinion of our Hong Kong Legal Counsel, the non-compliance incident is not material and the risk of prosecution for the non-compliance is remote.</p> | <p>During the Track Record Period and up to Latest Practicable Date, AL Design had not received any notice from the Companies Registry stating that it is subject to any potential fines for the breach.</p> <p>As advised by our Hong Kong Legal Counsel, the likelihood of potential fines imposed against our Company, Directors and/or officers for such non-compliance is highly unlikely since the prosecution of the breach is in effect time-barred by virtue of Section 351A of the Companies (WUMP) Ordinance and/or Section 900 of the Companies Ordinance.</p>                                                                                                                          |
| AL Design failed to lay audited accounts at AGMs that were made within nine months before the date of the AGM from the date of its incorporation to 2009 as required under Section 122 of the preceding Companies Ordinance.                                                          | The non-compliance was the result of no AGM being held from the date of incorporation to 2009.           | <p>The consequence of non-compliance with the requirements to lay financial statements in AGMs is that, Mr. Yau and Ms. Sz, being the directors of AL Design, may be liable to a maximum fine HK\$300,000 for failure to take reasonable steps to secure statutory compliance or HK\$300,000 together with 12 months’ imprisonment for wilful failure to take reasonable steps to secure statutory compliance</p>                                                       | <p>As advised by our Hong Kong Legal counsel, the potential fines imposed against our Company, Directors and/or officers for the failure to lay financial statements in AGMs from the date of incorporation to 2009 would not be subject to any risk of prosecution since such contravention happened more than three years ago and the prosecution of the breach is in effect time-barred by virtue of Section 351A of the Companies (WUMP) Ordinance and/or Section 900 of the Companies Ordinance.</p> <p>Our Group has appointed Mr. Ng Chit Sing as our company secretary to oversee all of our Group’s secretarial matters and to monitor future compliance with the Companies Ordinance.</p> |

As at the Latest Practicable Date, there had not been any prosecution initiated against our Group and our Directors, nor had any of them been subject to any re-entry notice or fine relating the above non-compliance incidents. Our Controlling Shareholders, namely Legend Investments, Mr. Yau and Ms. Sz, have executed a deed of indemnity in favour of our Group, among other things to jointly and severally keep our Group fully and effectively indemnified against all direct losses and damages that we may suffer as a result of such breaches. No provision has been made in the financial statements of our Group for the potential fines for the non-compliance.

### **Internal Control Measures to Prevent Future Recurrence of Non-compliance Incidents**

We believe that the above non-compliance incidents are not material to our operations and will not materially affect our business and results of operations and our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to prevent future recurrence of non-compliance incidents.

In particular, in order to prevent recurrence of the above non-compliance incidents, the following measures will be adopted:

- all tenancy agreements will be reviewed by our finance and operation team, and we will seek legal advice from external legal advisers before entering into or varying the terms of any tenancy agreement. Our compliance officer will be responsible for ensuring that all tenancy agreements entered into by us have complied with the relevant Hong Kong laws and regulations;
- Mr. Chan Cheuk Him, being our financial controller who has professional accounting qualification, will help ensure financial statements will be properly approved in the future;
- a new company secretary, Mr. Ng Chit Sing, was also appointed to ensure proper AGMs will be held in the future;
- our Directors and senior management have attended training session conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange. We will also continue to arrange trainings to be provided by external advisers and/or other appropriate accredited institution. For further details, please refer to paragraph headed “Business — Corporate Governance Measures” in this prospectus;
- our Company has designated Mr. Yau, an executive Director and chief executive officer of our Company, as our compliance officer to supervise our compliance matters. Details of his qualifications and experience are set out in the section headed “Directors, Senior Management and Employees” in this prospectus;

- our Group has established a Code of Conduct that incorporated guidelines in relation to conflict of interest, monitoring, handling and reporting of misconduct and reporting of misconduct has been established with managements approval; and
- our Group has established and adopted a whistleblowing guideline to illustrate the reporting process of fraud or concerns over ethical conducts. A whistleblowing email account has also been created for reporting of misconduct.

The Board understands its responsibility towards the corporate governance of our Group, including but not limited to reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements. Mr. Yau, an executive Director, chief executive officer and our compliance officer, had also been involved in the review process conducted by an independent internal control consultant regarding our internal control system and supervised our implementation of the recommendations made by the internal control consultant. Our senior management, Mr. Chan Cheuk Him, is also responsible for overseeing the internal control systems of our Company. Our company secretary, Mr. Ng Chit Sing, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England, will report to and assist Mr. Yau to oversee our compliance matters. All our Directors and senior management will participate in continuous professional development and internal training to develop and refresh their knowledge and skills, including but not limited to, seeking legal advice on change of or update on the legal and regulatory requirements as and when applicable and appropriate. Our Directors are of the view that the above arrangements will enable our Group to ensure its compliance with the legal and regulatory requirements in the future.

### **View of our Directors and the Sole Sponsor**

Having considered that (i) the lease of the Hong Kong Leased Property was entered into by our Company prior to the commencement of the our listing application and without the professional advice at the relevant time; (ii) upon being aware that the Proposed Use did not comply with the permitted use as specified in the occupation permit and tenancy agreement, our Company had decided to seek another replacement premises and instructed a valuation company to seek suitable alternative office premises, and obtained appropriate legal advice from its legal advisers as to Hong Kong law and other professional advices from appropriate qualified persons to ensure the proposed use of the new lease will be in compliance with all relevant laws and regulations and tenancy agreement; (iii) the various internal control measures adopted by our Group to prevent any future non-compliance as described above; and (iv) our Company has entered into a tenancy agreement for our office premises on 21 April 2016 and relocated to our new office on 30 May 2016 and has taken into consideration all professional advice to ensure the proposed use of the new lease will comply with all relevant laws and regulations, our Directors and the Sole Sponsor are of the view that the non-compliance incidents will not affect or cast any doubt on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules, or our Company's suitability for listing under Rule 11.06 of the GEM Listing Rules.

### INTERNAL CONTROL

In preparation for the Listing, our Company has engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over our internal controls over financial reporting as well as the non-compliance incidents as stated in the paragraph headed “Business — Legal Compliance and Risk Management” in this prospectus (the “**Non-compliance Incidents**”). Besides the Non-Compliance Incidents, the key deficiencies identified by the Internal Control Consultant (the “**Key Deficiencies**”) include: (i) formalisation of documents related to the Board and its committees operations; (ii) establishment of policies and procedures to monitor and report related party transactions and inside information; and (iii) formalisation of policies and procedures and enhancement of internal controls surrounding the areas of entity level controls, sales, procurement, human resources, cash management, taxation reporting, financial reporting and information technology general controls.

As stated in the paragraph headed “Business — Internal Control Measures to Prevent Future Recurrence of Non-compliance Incidents” in this prospectus, our Company has adopted certain measures to prevent recurrence of the Non-compliance Incidents (the “**Measures**”). In addition, the corresponding recommendations of the Internal Control Consultant for the Key Deficiencies includes: (i) the need to establish the required terms of reference of the Board and its committees; (ii) the establishment of mechanism to identify and maintain an up-to-date list of connected and related parties for capturing of related transactions; and (iii) the need for establishment of formal policies including customer acceptance procedures, subcontractor and supplier selection and evaluation procedures, staff employment, evaluation and termination procedures, petty cash expense claim procedures, as well as enhancement of information technology general controls including data back up and maintenance of user accounts.

The Internal Control Consultant carried out follow-up reviews on 11 March 2016, 4 April 2016 and 8 April 2016 (the “**Follow-up Reviews**”) to review the Measures as well as the status of the remedial actions taken by our Company to address the Key Deficiencies. The Measures and the internal control measures for the Key Deficiencies have been adopted by our Company, and the Internal Control Consultant did not have any further recommendation in the Follow-up Reviews except for the appointments of the required Directors, which are expected to be completed by our Company before the Listing.

In addition, our Group has adopted the following internal control policies and procedures to prevent anti-competitive conducts such as bid-rigging/collusion and offering bribes which will contravene the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (the “**Competition Ordinance**”) and the POBO:

- appropriate training(s) from relevant organisations (e.g. ICAC) and legal professionals will be arranged for our management team and employees to enhance their awareness of the effect and consequences of anti-competitive conducts/offering of bribes and to ensure compliance with the Competition Ordinance and the POBO. Effective whistleblowing policy is also in place to minimise the risk of fraudulent act, criminal offence or wrong doing in the work environment;

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## BUSINESS

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- internal guideline and checklist are created to help our Group in understanding more about the Competition Ordinance, in particular the First Conduct Rule. It also helps our Group in detecting signings which may suggest the occurrence of anti-competitive conducts. Items in the checklist include what the employees ought not to do in the course of business to ensure compliance with the Competition Ordinance;
- our Group will review business practices, commercial contracts and arrangements from time to time to assess whether all provisions comply with the law and ensure that our staff keep a paper trail of high-risk decisions and contracts, such as recording the reasons for any price adjustments. Our management team will also ensure each decision is reached independently and without discussion with competitors;
- internal guideline and checklist on anti-bribery are also in place such that we can understand more about the POBO. Our Code of Conduct also sets out guidelines and procedures for offering and/or accepting gifts and hospitality. All employees shall keep a written record of the hospitality or gifts accepted or offered and such records are subject to managerial review;
- our internal control policies and Code of Conduct are clearly stipulated and made known to all staff. Moreover, we adopt a zero-tolerant attitude towards corruption and fraud;
- our Compliance Officer will update the guidelines and checklists to keep up with any changes of the law from time to time. Our Group will also seek legal advice if there is any doubt about whether a particular conduct or action is inconsistent with the law; and
- our management team will conduct routine and sudden checks for any irregularities to ensure our employees comply with all laid down guidelines, rules and procedures.

## CORPORATE GOVERNANCE MEASURES

Our Group has also taken the following measures to ensure on-going compliance with various applicable laws and regulations:

- (a) Our Directors and senior management have attended training session in which they were given on overview on the applicable laws and regulations in Hong Kong. We will continue to arrange various trainings to be provided by external adviser such as lawyers, accountants and surveyors who have the relevant expertise and/or other appropriate accredited institution, to reinforce our Directors' awareness on applicable Hong Kong laws. Such trainings to be provided to our Directors and senior management will focus more on the on-going obligations and duties of our Company and our employees in respect of the requirements, procedure and importance of holding annual general meetings and preparation of financial reports under the GEM Listing Rules and Companies Ordinance, restrictions on land use and other legal issues that may arise during the course of business of our Group. Our management team will ensure our staff are equipped with sufficient experience and knowledge on the continuing obligations to

prevent recurrence of the non-compliance incidents. In addition, we have engaged a professional surveyor to examine the premises prior to relocation and have taken into consideration all professional advice to ensure the proposed use of the new lease will comply with all relevant laws and regulations to prevent recurrence of the non-compliance incidents;

- (b) Our Company has appointed Mr. Ng Chit Sing as our company secretary, who is responsible for the day-to-day compliance matters of our Group;
- (c) An audit committee has been established to review the internal control systems and procedures for compliance with the requirements of the GEM Listing Rules; and
- (d) Our Company has appointed VBG Capital Limited as our compliance adviser to advise on compliance matters in accordance with the GEM Listing Rules.

Our Directors are of the view that the internal control measures adopted by our Group are adequate and effective in significantly reducing the risk of future non-compliance with legal and regulatory requirements in Hong Kong.

### OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will hold/be interested in 360,000,000 Shares, representing 75% in aggregate of the total issued share capital of our Company. Mr. Yau and Ms. Sz (through Legend Investments) will each hold 60% and 15% attributable interest of our Company's share capital and in aggregate control 75% of the Shares in issue. As such, Mr. Yau and Ms. Sz will continue to remain as the dominating group of Shareholders which would continue to hold a controlling interest in our Company upon completion of the Share Offer and the Capitalisation Issue. Further, Mr. Yau and Ms. Sz have confirmed that during the Track Record Period and up to the date of the Listing, they have been and will be acting in concert and voted and will vote in unanimous manner on any resolution in respect of the management, development and operations of our Group's operations.

### INTEREST OF CONTROLLING SHAREHOLDER IN OTHER BUSINESS

#### Other Business of our Controlling Shareholders

As at the Latest Practicable Date, apart from their respective interests in our Group, Mr. Yau and Ms. Sz, each being a Controlling Shareholder and an executive Director, held 80% and 20% of the issued capital of Legend Contracting and 50% and 50% of the issued capital of Legend Enterprise (HK) Limited, respectively.

#### *Legend Contracting*

Legend Contracting was incorporated on 20 February 2006 in Hong Kong. Legend Contracting is principally engaged in the business of property investment holding. During the Track Record Period, Legend Contracting was involved in a one-off fit out project to accommodate a customer's requirement that a different or separate legal entity to provide its proposal on each of the following services: (i) design and (ii) fit out management. Our Directors confirm that Legend Contracting did not engage in any other business operations or design and/or fit out transactions other than this foregoing one-off transaction and it has no intention to engage in design and/or fit out projects. Our Directors have determined that the financial performance of Legend Contracting had no material impact to the results and financial position of our Group during the Track Record Period.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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The following table sets out the financial performance of Legend Contracting for the years ended 31 March 2014 and 2015 and as at the dates indicated based on the statutory financial statements of Legend Contracting audited by Harrison CPA Limited:

|                                                        | For the year ended 31 March |          |
|--------------------------------------------------------|-----------------------------|----------|
|                                                        | 2014                        | 2015     |
|                                                        | HK\$'000                    | HK\$'000 |
| Revenue                                                | 167                         | 2,162    |
| Net (loss)/profit                                      | (57)                        | 41       |
| Net cash from operation before working capital changes | 136                         | 245      |
| Net cash (used in)/generated from operating activities | (458)                       | 259      |
|                                                        |                             |          |
|                                                        | As at 31 March              |          |
|                                                        | 2014                        | 2015     |
|                                                        | HK\$'000                    | HK\$'000 |
| Net liabilities                                        | (97)                        | (56)     |

Legend Contracting has adopted a financial year-end date of 31 March with consideration of its incorporation anniversary on 20 February.

### *Legend Enterprise (HK) Limited*

Legend Enterprise (HK) Limited (“**Legend Enterprise**”) was incorporated on 16 December 2005 in Hong Kong. Legend Enterprise is principally engaged in the business of investment holding and during the Track Record Period, Legend Enterprise leased certain premise which our Group used for our operations and recharged the related rental expenses to our Group based on 3,115 sq.ft. used by our Group. Our Directors confirm that Legend Enterprise did not engage in any other business operations or design and/or fit out transactions other than this rental transaction and it has no intention to engage in design and/or fit out projects. Our Directors have determined that the financial performance of Legend Enterprise had no material impact to the results and financial position of our Group during the Track Record Period.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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The following table sets out the financial performance of Legend Enterprise for the year ended 31 March 2015 based on the statutory financial statements of Legend Enterprise audited by Harrison CPA Limited:

|                                              | <u>For the year ended</u><br><u>31 March 2015</u> |
|----------------------------------------------|---------------------------------------------------|
|                                              | <u>HK\$'000</u>                                   |
| Revenue                                      | 937                                               |
| Net loss                                     | (274)                                             |
| Net cash generated from operating activities | 647                                               |
|                                              | <br><u>As at 31 March 2015</u>                    |
|                                              | <u>HK\$'000</u>                                   |
| Net assets                                   | 1,232                                             |

Based on the above, our Directors consider that in view of the size, the operational differences in terms of the business nature, target client which is a one-off transaction and the rental transaction which is not the principal business of our Group, the extent of competition is very limited. Save as disclosed in this section, our Directors have confirmed that Legend Contracting and Legend Enterprise did not provide any other services to other customer of our Group during the Track Record Period.

None of our Controlling Shareholders or our Directors has any interests in a business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. In addition, each of our Controlling Shareholders has given a non-competition undertaking in favour of our Company. For details, please refer to the paragraph headed "Non-competition Undertaking" of this section below.

### REASONS FOR NON-INCLUSION OF LEGEND CONTRACTING AND LEGEND ENTERPRISE IN OUR GROUP

Our Directors confirm that (i) Legend Contracting was only involved in a one-off fit out project as required by a customer; (ii) Legend Contracting and Legend Enterprise are principally engaged in property investment holding and investment holding respectively; (iii) Legend Enterprise was only involved in renting certain premise for the operations of our Group during the Track Record Period; and (iv) Legend Contracting and Legend Enterprise would not and are not expected to compete, directly or indirectly, with our business. In light of the foregoing, our Directors consider not to include Legend Contracting and Legend Enterprise as part of our Group and our Controlling Shareholders do not intend to inject Legend Contracting or Legend Enterprise into our Group in the future. Furthermore, the incorporation of Legend One as part of the Reorganisation allows our Group to fulfill our customers' special requirement of having a different services or separate legal entity to provide its proposal on each of (i) design and (ii) fit out management. Our Directors believe that the incorporation of Legend One enables our Group to

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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cater for such special requirement, which during the Track Record Period was requested by one of our customers, in the future and enables our Group to participate in both design and fit out works in such events. The advice of our Hong Kong Legal Counsel on such arrangement is set out in the paragraph head “Business — Operating Procedures — Quotation and Design stage — Request for proposals followed by a meeting” in this prospectus. In the event that our Group is to agree with such special requirement from our customers in the future, we will further seek appropriate legal advice, if necessary, and ensure any such arrangement, if agreed by our Group, will be conducted in full compliance with the applicable laws, regulations, codes and guidelines. As for renting premise for the operations of our Group, the tenancy agreement with Legend Enterprise was novated to AL Design on 27 January 2016. As a result of the above, both Legend Contracting and Legend Enterprise are not included into our Group.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

#### Management independence

Although our Controlling Shareholders will maintain controlling interests in our Company upon completion of the Share Offer, the day-to-day management and operations of our Group will be the responsibility of all our executive Directors and senior management of our Company. The Board has six Directors comprising three executive Directors and three independent non-executive Directors. The Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

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

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group’s business independently from our Controlling Shareholders.

#### Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group had not shared any operational resources, such as office premises, sales and marketing and general administration resources with

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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our Controlling Shareholders and their close associates, during the Track Record Period. Our Group has also established a set of internal controls procedures to facilitate the effective operation of our business.

Our suppliers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their close associates and have our independent access to our suppliers for the provision of services and materials.

### Financial independence

We have our own accounting and finance department and independent financial system and make financial decisions according to our own business needs. We also have our own treasury function and independent access to third party financing. During the Track Record Period, (i) Mr. Yau, our executive Director and a Controlling Shareholder, pledged certain fixed deposits and provided indemnity in favour of a bank, and (ii) Ms. Sz, our executive Director and a Controlling Shareholder, provided indemnity in favour of the same bank, for surety bonds issued by the bank in favour of our customers. Please refer to the paragraph headed “Financial Information — Indebtedness” in this prospectus and note 26 to the Accountant’s Report set out in Appendix I to this prospectus for further details. As at the Latest Practicable Date, all the surety bonds taken out by our Group during the Track Record Period had expired and ceased to have effect, and therefore, the said pledges and indemnities had also been released and expired.

In view of our Group’s internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for our financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

### NON-COMPETITION UNDERTAKING

Our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) have entered into the Deed of Non-Competition in favour of our Company, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertook to our Company (for ourselves and as trustee for each of our subsidiaries) that:

- (a) he/she/it will not, and will procure any Covenantor and his/her/its close associates (each a “**Controlled Person**” and collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the “**Controlled Company**”) not to, except through any member of our Group, directly or indirectly (whether on our own account or with each other or in conjunction with or on behalf of any person or company, or as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in any business that is similar to or in competition directly or

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward or otherwise) with any business currently and from time to time engaged by our Group in Hong Kong and any other country or jurisdiction to which our Group carries on our business from time to time (the “**Restricted Business**”);

- (b) if each of the Covenantors is offered or becomes aware of any project or business opportunity relating to the Restricted Business (the “**New Business Opportunity**”) whether directly or indirectly, he/she/it (i) shall promptly notify our Company of such New Business Opportunity in writing, refer the same to our Company for consideration first and provide such information as may be reasonably required by our Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by our Company and the principal terms of which he/she/it and/or his/her/its close associates invest or participate in are no more favourable than those made available to our Company.

Our independent non-executive Directors will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of our desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the “**30-day Offering Period**”) of receipt of notice from our Controlling Shareholders, our Controlling Shareholders and/or his/her/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In the event that our Company requires additional time to assess the New Business Opportunity, our Company may give a written notice to our Controlling Shareholders during the 30-day Offering Period and our Controlling Shareholders agree to extend the period to a maximum of 60 business days.

The Non-competition Undertaking does not apply to the holding of or interests in shares or other securities by any of the Covenantors and/or his/her/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:

- (a) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or
- (b) the total number of the shares held by any of the Covenantors and his/her/its close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/her/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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is a holder of such shares holding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and his/her/its close associates together hold.

The Non-competition Undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the GEM Listing Rules from time to time) of our Company; or (ii) the Shares cease to be listed and traded on GEM or other recognised stock exchange.

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (a) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of our independent non-executive Directors expressly requested him/her to attend;
- (b) our independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the non-competition undertaking by our Controlling Shareholders;
- (c) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Non-competition Undertaking;
- (d) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders in the annual reports of our Company;
- (e) our Controlling Shareholders will make an annual declaration on compliance with their Non-competition Undertaking in the annual report of our Company;
- (f) our Company has appointed VBG Capital Limited as our compliance adviser to advise on compliance matters in accordance with the GEM Listing Rules;
- (g) our independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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

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

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

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### BRIEF INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board consists of three executive Directors and three independent non-executive Directors. It is responsible for and has general powers for the management and conduct of our business.

The day-to-day operations of our Group are supervised and carried out by our executive Directors with the assistance of our senior management.

The following table sets out some information in respect of our Directors:

| Name                                                              | Age | Position                                                           | Date of joining our Group | Date of appointment as a Director | Main roles and responsibilities                                                                                                           | Relationship with other Directors and senior management (other than that through or relating to our Group) |
|-------------------------------------------------------------------|-----|--------------------------------------------------------------------|---------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| <i>Executive Directors</i>                                        |     |                                                                    |                           |                                   |                                                                                                                                           |                                                                                                            |
| Mr. Yau Chung Ping<br>(formerly known as “Yau Yuk Ping”)<br>(邱仲平) | 44  | Executive Director, Chief Executive Officer and Compliance Officer | 22 October 1999           | 1 February 2016                   | Overall strategic planning and management of our Group; member of the Remuneration Committee                                              | Spouse of Ms. Wu                                                                                           |
| Ms. Sz Kit (施潔)                                                   | 45  | Executive Director; Director, Projects                             | 22 October 1999           | 1 February 2016                   | Overall project management and operations of our Group                                                                                    | N/A                                                                                                        |
| Ms. Wu Kar Wai<br>(胡家惠)                                           | 33  | Executive Director; Director, Media & Public Relations             | 1 January 2015            | 25 February 2016                  | Overall management of marketing & public relations of our Group; Chairlady of the Nomination Committee                                    | Spouse of Mr. Yau                                                                                          |
| <i>Independent non-executive Directors</i>                        |     |                                                                    |                           |                                   |                                                                                                                                           |                                                                                                            |
| Mr. Neo Sei Lin, Christopher<br>(梁世麟)                             | 46  | Independent non-executive Director                                 | 15 June 2016              | 15 June 2016                      | Providing independent advice to our Group; Chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee | N/A                                                                                                        |
| Mr. Lau Chun Wah, Davy (劉震華)                                      | 61  | Independent non-executive Director and Non-executive Chairman      | 15 June 2016              | 15 June 2016                      | Providing independent advice to our Group; member of the Audit Committee and Nomination Committee                                         | N/A                                                                                                        |
| Ms. Lee Hau Yan, Hannah (李巧恩)                                     | 42  | Independent non-executive Director                                 | 15 June 2016              | 15 June 2016                      | Providing independent advice to our Group; Chairlady of the Audit Committee and member of the Remuneration Committee                      | N/A                                                                                                        |

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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The following table sets out some information in respect of our senior management (other than those of our executive Directors):

| <u>Name</u>                       | <u>Age</u> | <u>Position</u>                                            | <u>Date of joining<br/>our Group</u> | <u>Main roles and responsibilities</u>                                                 | <u>Relationship with other<br/>Directors and senior<br/>management (other than<br/>that through or relating<br/>to our Group)</u> |
|-----------------------------------|------------|------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Mr. Chan Cheuk Him<br>(陳卓謙)       | 34         | Finance Controller                                         | 20 January 2016                      | Financial planning & control,<br>accounting operations and<br>internal control systems | N/A                                                                                                                               |
| Ms. Lau Yee Nga,<br>Angela (劉依雅)  | 41         | director, Sales &<br>Marketing                             | 22 October 1999                      | Sales & marketing and new<br>business development                                      | N/A                                                                                                                               |
| Mr. Cheng Lung Yan,<br>Paul (鄭龍恩) | 40         | director, Operations                                       | 1 March 2016                         | Operational system and business<br>process, management<br>reporting, support services  | N/A                                                                                                                               |
| Ms. Chan Choi Yi<br>(陳賽怡)         | 46         | Associate director,<br>Human Resources<br>& Administration | 20 August 2000                       | Human resource planning &<br>deployment and<br>administration                          | N/A                                                                                                                               |

### DIRECTORS

#### Executive Directors

**Mr. Yau Chung Ping (邱仲平) (“Mr. Yau”)**, aged 44, is a co-founder of our Group and a Controlling Shareholder. Mr. Yau was appointed as a director of AL Design since its founding in October 1999. He was appointed as a Director on 1 February 2016 then redesignated as an executive Director and Chief Executive Officer of our Company on 25 February 2016. He is the spouse of Ms. Wu.

Mr. Yau currently serves as the Chief Executive Officer of our Company. Apart from being responsible for formulating the corporate strategies and meeting the overall business objectives of our Group, Mr. Yau is also involved with client development, new business initiatives and overall design and project management for our Group’s clients.

Mr. Yau has over 25 years of experience in interior design and project management in Hong Kong and China. He started his career in 1991 as a draftsman at MY Collections Limited; and in 1992, worked as an assistant interior designer at Robmon Interiors, with focus on the retail and residential sectors. From 1995–1996, Mr. Yau was an interior designer at Raymond Lui & Partners Ltd., with focus on a major department chain-store in Shanghai; and in 1997, became an interior designer at FCS Interior Design Consultant Limited, with focus on the commercial office sector.

In 1999, Mr. Yau co-founded AL Design with Ms. Sz. Over the 16 years at AL Design, Mr. Yau has directed his design team through a variety of projects in the field of interior design and project management covering the commercial, residential and retail sectors that reflect the brand and image of their corporate clients. He is committed to serving the community, contributing to numerous charities; and using environmentally friendly practices and materials wherever possible.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Yau received a Diploma in Interior and Environmental Design from the First Institute of Arts and Design in August 1994. He has been a professional member of the Hong Kong Interior Design Association since 2004.

**Ms. Sz Kit (施潔) (“Ms. Sz”)**, aged 45, is a co-founder of our Group and a Controlling Shareholder. Ms. Sz was appointed as a director of AL Design since its founding in October 1999. She was appointed as a Director on 1 February 2016 then redesignated as an executive Director of our Company on 25 February 2016.

Ms. Sz currently serves as the director, Projects for our Company and has overall responsibilities for project management of our Group’s business, including the management of opportunities and risks, human resource planning and deployment, quality control, progress of work against cost and deadline, and environmental and safety issues.

Ms. Sz has over 23 years of experience in interior design and project management in Hong Kong covering the residential, office, commercial, hospitality and government sectors. She started her career in 1993, initially as a draftsman and subsequently as an interior designer at Ming Yip Design Limited; and in 1997, joined FCS Interior Design Consultant Limited as an interior designer, with focus on the commercial office sector.

In 1999, Ms. Sz co-founded AL Design with Mr. Yau. Over the 16 years at AL Design, Ms. Sz has worked closely with Mr. Yau in building the business from scratch.

Ms. Sz received a diploma in Architecture and Urban Planning from the department of Architecture at Guangzhou University (China) in July 1991. She has been a professional member of the Hong Kong Interior Design Association since 2004.

**Ms. Wu Kar Wai (胡家惠) (“Ms. Wu”)**, aged 33, is an executive Director of our Company. She is the spouse of Mr. Yau. Ms. Wu joined our Group in January 2015 as the director, Business Development of AL Design; and in January 2016, was re-designated as the director, Media & Public Relations. She was appointed an executive Director of our Company on 25 February 2016.

Ms. Wu has overall responsibilities for our Group’s strategic marketing, corporate communications, advertising, public & media relations, social media presence, market research and direct marketing programmes. She has over a decade of experience in branding, marketing, and public & media relations.

Previously, Ms. Wu was a Senior Manager (2008–2011) at Savills Residence Limited in Hong Kong, part of London listed Savills plc (LON:SVS); a Manager, Business Development (2008) at Focus Media Hong Kong Limited, part of Hong Kong listed Focus Media Network Limited (SEHK: 8112); an Assistant Manager, Marketing & Public Relations at Andante & Louvre Gallery (2007–2008); an Executive, Sales & Marketing (2006–2007) at Orix International Limited, an interior design firm; and a programme host (2002–2004) at TVB, part of Hong Kong listed Television Broadcast Limited (SEHK: 0511). In 2012, Ms. Wu founded A Legend International Limited which

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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has two lines of business: (i) in event management & public relationships and (ii) the creation of the K-Care retail brand, which markets and distributes South Korean's natural skincare and beauty products in Hong Kong.

In 2002, Ms. Wu participated in the Miss Hong Kong Pageant and won 2nd Runner-up; that same year she represented Hong Kong and participated in the Miss International Pageant in Tokyo and won the Miss Friendship award. Ms. Wu was an ambassador for Yan Oi Tong Charitable Organization for the period 2006 to 2007. Between 2012 and 2015, she was a guest lecturer for the course "Career Skills Training" at the University of Hong Kong.

Ms. Wu received a Bachelor of Arts degree in Hotel and Hospitality which was a long distance course from the University of Strathclyde Glasgow (United Kingdom) in July 2010 and an Advanced Diploma in Hospitality Management from the University of Hong Kong School of Professional and Continuing Education in August 2008.

### Independent non-executive Directors

**Mr. Neo Sei Lin, Christopher** (梁世麟) ("Mr. Neo"), aged 46, was appointed an Independent non-executive Director of our Company on 15 June 2016. Mr. Neo has over two decades of experience managing business units in the consumer goods and beauty industries. He is currently an executive director of South China Media Management Limited, responsible for overall management of the South China Media Group women's titles, leading organisational change and revamping the group's overall business, a position he took up in January 2016, after a 20 years' career with the L'Oréal Group in Hong Kong, Singapore and Malaysia.

Mr. Neo started his career in 1994 in brand management with Procter & Gamble. The following year, in 1995, Mr. Neo joined the L'Oréal Group in Singapore. In 2002, Mr. Neo was relocated to Hong Kong as General Manager for the L'Oréal's Consumer Products division, where he had to rebuild the business and the teams from ground up, and was credited with the turnaround of a complex business situation as well as defining a compelling image for the L'Oréal consumer brands within the competitive city landscape.

In 2008, Mr. Neo was relocated to Malaysia, initially as General Manager for the L'Oréal Consumer Products division and subsequently his responsibilities extended to cover Singapore as well, and served as General Manager for the L'Oréal Consumer Products division for both Malaysia and Singapore.

In 2009, Mr. Neo was made Country Manager and Managing Director for L'Oréal Singapore and was overall responsible for the L'Oréal Group's business in Singapore which includes brands like L'Oréal Paris, Garnier, Maybelline, Kérastase, Redken, Lancôme, Kiehl's, Clarisonic, Shu Uemura, Yves Saint Laurent, Biotherm, Giorgio Armani, Ralph Lauren, Vichy, and La Roche Posay. As the country manager, besides running the P&L and overseeing business strategies, he was also responsible for the development of corporate reputation, innovation, new distribution, business communications, and talent development. In addition, Mr. Neo also helped set up and supported L'Oréal's regional organisations based in Singapore.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Neo received a Bachelor of Business Administration degree from the National University of Singapore in July 1994. He was a former President of the Association of Perfume and Cosmetics Distributors (APCD) in Singapore.

**Mr. Lau Chun Wah, Davy (劉震華) (“Mr. Lau”)**, aged 61, was appointed an Independent non-executive Director and the Non-executive Chairman of our Company on 15 June 2016. Trilingual in Japanese, English and Mandarin, Mr. Lau has significant track record building and running multinational businesses in the Asia Pacific for more than 30 years spanning across manufacturing, IT systems solutions and outsourcing, banking and real-time on-line information business as well as professional services. Mr. Lau is currently the chairman of DGL Group Inc, managing his private direct investments. Since June 2015, Mr. Lau has been serving as an independent director and the chairman of the nominating and remuneration committee of Manulife US Real Estate Management Pte. Ltd., the manager of the real estate investment trust (REIT), Manulife US Real Estate Investment Trust, which has been listed on the Singapore Exchange (stock code: BTOU) since 20 May 2016.

Prior to launching DGL Group Inc, for 17 years between March 1994 and February 2011, Mr. Lau was with Egon Zehnder International Pte Ltd, a leading global executive search firm, recruiting senior executives, CEOs and board directors in the Asia Pacific region for various MNCs as well as Asian companies. He was elected Global Partner of the firm at the end of 1999 and was the managing partner of the Singapore practice between 2000 and 2009.

Mr. Lau started his career at Computervision Asia, Ltd., an early pioneer in the CAD/CAM systems business, in the early eighties; for six years between 1981 and 1987, he held various sales & marketing positions selling and implementing CAD/CAM systems, including some of the most significant CAD/CAM systems ever installed in China. He was a Vice President of the Information Business Division at Citibank N.A., Tokyo Branch between February 1988 and May 1990, where he marketed real-time on-line financial information services to multi-national corporations as well as banks in Japan. Mr. Lau was the General Manager and Director, Far East Sales & Operations for GTECH Far East Pte Ltd, an international gaming service provider, between August 1991 and February 1994, where he marketed and supported the on-going operations of various public gaming IT outsourcing projects in Asia.

In 2006, Mr. Lau co-founded The Mustard Seed Business Angel Fund LLP, the first business angel group recognised and supported by the Economic Development Board of Singapore under its Business Angel Scheme. He is currently a member of advisory/resource panels of private equity and buy-out funds such as Credence Partners Pte Ltd and ACA Investments Pte Ltd and also sits on the boards of UWCSEA (United World College of Southeast Asia), Hong Kong-ASEAN Economic Cooperation Foundation Limited and Make-A-Wish Foundation (Singapore) Limited. He was previously on various public or private corporate boards, including NASDAQ listed HiSoft Technology International Limited, Strategic Investment Partners, Inc. (Japan) and eZoo School of Music and Fine Arts Pte. Ltd. (Singapore).

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Lau was a recipient of the Japanese Government Scholarship for Undergraduate Students in 1974 and received a Bachelor of Arts degree in Japanese Language & Affairs from the Tokyo University of Foreign Studies in 1979 as well as a Master degree in Economics from the Hitotsubashi University in 1981. Mr. Lau is a naturalised Singaporean, born and raised in Hong Kong.

**Ms. Lee Hau Yan, Hannah (李巧恩)** (“Ms. Lee”), aged 42, was appointed an Independent non-executive Director of our Company on 15 June 2016. Commencing on 21 March 2016, Ms. Lee has been the Chief Financial Officer of NISI (HK) Limited, a company that specialised in non-invasive surgical innovations.

Ms. Lee has two decades of experience in auditing, accounting, investment and financial management, mergers & acquisitions and initial public offerings. As Chief Financial Officer, she successfully took two PRC-based companies public on NASDAQ, namely, The9 Limited (NASDAQ:NCTY) and Global Education & Technology Group Limited (NASDAQ:GEDU). She also spearheaded the successful multi-billion merger of the parent company of the PRC-based Ganji.com with NYSE-listed 58.com Inc. (NYSE:WUBA) as well as the successful US\$300 million acquisition of Global Education & Technology Group Limited (NASDAQ:GEDU) by NYSE-listed the Pearson plc (NYSE:PSO).

From September 2011 to February 2016, Ms. Lee was the Senior Vice President & Chief Financial Officer of Ganji.com, a classified website to over 350 cities in China. Ms. Lee spearheaded and completed the multi-billion merger of the parent company of Ganji.com with 58.com Inc. (NYSE: WUBA) in August 2015. From November 2009 to September 2011, she was the Vice President & Chief Financial Officer of Global Education & Technology Group Limited, a NASDAQ-listed company (NASDAQ:GEDU). She successfully took the PRC-based company public on NASDAQ in October 2010 and subsequently led the acquisition of the public company by the Pearson plc (NYSE: PSO) in late 2011 for about US\$300 million.

From March 2008 to October 2009, Ms. Lee was the Vice President & Chief Financial Officer of United Information Technology Co., Ltd., a provider of networked storage products and services in China. From January 2004 to February 2008, she was the Vice President & Chief Financial Officer, and subsequently Senior Vice President, of The9 Limited, a NASDAQ-listed company (NASDAQ:NCTY). Ms. Lee successfully took the PRC-based company public on NASDAQ in December 2004.

Ms. Lee started her career in 1996 at Smythe LLP (formerly known as “Smythe Ratcliffe”) in Vancouver, Canada, where she worked as an articling student from September 1996 to May 1998. From June 1998 to January 2003, Ms. Lee worked at PricewaterhouseCoopers LLP in Vancouver, Canada as a Manager in the Audit and Assurance practice. From January 2003 to January 2004, she was a manager in the audit department at KPMG in Shanghai, China.

Ms. Lee received a Bachelor of Commerce degree (Honors) from the University of British Columbia, Canada, in May 1996. She is a member of the Institute of Chartered Accountants in Canada since July 1999 and a Registered Certified Public Accountant in Illinois, USA.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Further information required to be disclosed pursuant to Rule 17.50(2)(I) of the GEM Listing Rules

Ms. Sz was a director of the following company incorporated in Hong Kong, which was deregistered with details as follows:

| <u>Name of company</u>                  | <u>Nature of business</u>     | <u>Date of dissolution</u> | <u>Means of dissolution</u> | <u>Reasons of dissolution</u> |
|-----------------------------------------|-------------------------------|----------------------------|-----------------------------|-------------------------------|
| Goodview Concepts Limited<br>(高域實業有限公司) | Provision of cleaning service | 17 December 2010           | Deregistration              | Ceased to conduct business    |

Ms. Wu was a director of the following company incorporated in Hong Kong, which was deregistered with details as follows:

| <u>Name of company</u>                      | <u>Nature of business</u> | <u>Date of dissolution</u> | <u>Means of dissolution</u> | <u>Reasons of dissolution</u>                   |
|---------------------------------------------|---------------------------|----------------------------|-----------------------------|-------------------------------------------------|
| PRC International Limited<br>(紫星國際(香港)有限公司) | Event management          | 1 November 2013            | Deregistration              | Its business was transferred to another company |

Mr. Neo was a director of the following company incorporated in Singapore which has been struck off with details as follows:

| <u>Name of company</u>         | <u>Nature of business</u> | <u>Date of dissolution</u> | <u>Means of dissolution</u> | <u>Reasons of dissolution</u>                   |
|--------------------------------|---------------------------|----------------------------|-----------------------------|-------------------------------------------------|
| YSL Beaute Singapore Pte. Ltd. | Cosmetics                 | 7 February 2013            | Struck off                  | Its business was transferred to another company |

Mr. Lau was a director of the following companies incorporated in Singapore which have been struck off with details as follows:

| <u>Name of companies</u> | <u>Nature of business</u> | <u>Date of dissolution</u> | <u>Means of dissolution</u> | <u>Reasons of dissolution</u> |
|--------------------------|---------------------------|----------------------------|-----------------------------|-------------------------------|
| DGL Inc Pte. Ltd.        | Investment holding        | 9 December 2009            | Struck off                  | Ceased to hold investment     |
| Nephilan Pte. Ltd.       | E-business                | 22 November 2002           | Struck off                  | Ceased to conduct business    |

Each of our Directors above confirm that there is no wrongful act on his or her part leading to the above dissolutions of the companies and he or she is not aware of any actual or potential claim that has been or will be made against him or her as a result of the dissolutions of the companies.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### General

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements of Rule 17.50(2) of the GEM Listing Rules.

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

**Mr. Chan Cheuk Him** (陳卓謙) (“**Mr. Chan**”), aged 34, joined our Group in January 2016 as Financial Controller. He is responsible for financial planning & control, accounting operations and internal control systems of our Group.

Prior to joining our Group, between November 2013 and November 2015, Mr. Chan was the Senior Finance Manager at Pan Asia Mining Limited, a company listed on the Stock Exchange of Hong Kong (SEHK:8173), engaged in the exploration and exploitation of mineral resources and trading of coal and bunker fuel, where Mr. Chan supervised the accounting operations in Greater China, Singapore and Indonesia. Between January 2010 and May 2013, Mr. Chan was a Finance Manager in Peak Sport Products Co., Limited (“**PSPCL**”), a company listed on the Stock Exchange of Hong Kong (SEHK:1968), engaged in the manufacturing and trading of sporting goods, where Mr. Chan served the managing role on monthly consolidation, audit, corporate communications and compliance matters for the group of PSPCL.

Mr. Chan started his career in December 2003 at PricewaterhouseCoopers Ltd.. He was gradually promoted from Associate, Senior Associate and to Manager in the Assurance Department, where he serviced clients in the customer/industrial products, real estates, transportation and services sectors on auditing and accountancy procedures, between December 2003 and October 2009.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Chan received a Bachelor of Business Administration in Marketing and Finance from the Hong Kong University of Science and Technology in May 2004. He is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a member of Association of Chartered Certified Accountants (ACCA) since 2008.

**Ms. Lau Yee Nga, Angela (劉依雅) (“Ms. Lau”)**, aged 41, joined our Group in November 1999 when AL Design was founded. She is currently the director, Sales & Marketing of AL Design and is responsible for sales & marketing and new business development and achieving our Group’s revenue and profit targets.

Ms. Lau started her career in 1996 as a Capacity Management Officer at Maersk Hong Kong Limited. The following year, in 1997, she joined FCS Interior Design Consultant Limited as a Marketing Executive. In 1999, Ms. Lau became a member of the founding team at AL Design, served initially as an Assistant Marketing Manager and subsequently rose through the ranks to become a Senior Manager, Sales & Marketing. Between the period June 2010 and January 2011, and May 2012 and October 2013, Ms. Lau was on a sabbatical leave. In January 2016, she was re-designated as the director, Sales & Marketing.

Ms. Lau received a Bachelor of Science degree (Honors) in Statistics from the Chinese University of Hong Kong in December 1996.

**Mr. Cheng Lung Yan, Paul (鄭龍恩) (“Mr. Cheng”)**, age 40, joined our Group in March 2016. He is currently the director, Operations of AL Design and is responsible for operational system and business process, management reporting, support services, and coordination and communications between the business and support functions.

Mr. Cheng started his career in 2000 in his family garment business; was a Customer Service Representative and subsequently a Client Support Officer and Assistant Manager at Intimex Business Solutions Co. Ltd. between 2003-2004, and an Executive Manager at 3A Products (HK) Company between 2004-2008. In 2008, Mr. Cheng founded Masterpiece Event Decoration Limited, a wedding design and decoration business; the business was eventually acquired by a co-founder of a wedding and event decoration company in 2013.

Mr. Cheng pursued a Bachelor of Arts Degree at the Simon Fraser University, Vancouver, Canada between January and April 2000. Mr. Cheng has also completed a course in Supervisory Management of the Hong Kong Polytechnic University in 2002 and a course in Practices in Logistics at the Vocational Training Council Hong Kong Centre for Transport & Logistics in 2005.

**Ms. Chan Choi Yi (陳賽怡) (“Ms. Chan”)**, age 46, joined our Group in August 2000, less than a year after AL Design was founded. She is currently the associate director, Human Resources & Administration of AL Design and is responsible for human resource planning & deployment and administration.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Ms. Chan started her career in 1989; was a Clerk at Bank of Communications Hong Kong Branch (1989–1992), a junior secretary at Stephen-Bensive Asia Ltd. (1992–1993), a secretary of Ricofield Company Limited (1993–1994), a secretary to Deputy Managing Director at Fuchuen Machinery and Equipment Company Limited (1994–1999), and a Secretary to Director at Hong Kong Darong (International) Co. Ltd. (1999).

Ms. Chan received a certificate in Secretaries from the Hong Kong Management Association in 1992, a certificate in Logistics Management from the School of Continuing Education Hong Kong Baptist University in 2001, and a certificate in Employment Ordinance from the Hong Kong Management Association in 2013.

### COMPANY SECRETARY

**Mr. Ng Chit Sing (吳捷陞) (“Mr. Ng”)**, aged 43, was appointed as our company secretary on 25 February 2016. He is the founder and Chief Executive Officer of IN Corporate Services Limited specialising in the provision of corporate secretarial services to listed issuers and private companies.

From May 2015 to present, Mr. Ng was the named company secretary of Yestar International Holdings Company Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (SEHK: 2393). Mr. Ng served as a Senior Company Secretarial Manager of SMI Culture Group Holdings Limited (formerly known as Qin Jia Yuan Media Services Company Limited) (SEHK: 2366) from April 2010 to November 2010 and was appointed as company secretary from December 2010 to September 2011. Mr. Ng served as a director of BMS Corporate Services Limited, a corporate secretary firm, for the period from November 2011 to October 2013.

Mr. Ng was admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England in July 2000. Mr. Ng received a Bachelor’s Degree in Social Sciences from Lingnan College in 1996 and a Bachelor’s Degree in Laws which was a long distance course from the University of London in August 2008.

During the three years immediately preceding the date of this prospectus, Mr. Ng has not been a director of a public company, the securities of which are listed on any securities market in Hong Kong or overseas.

### COMPLIANCE OFFICER

Mr. Yau Chung Ping serves as the compliance officer of our Company for the purpose of the GEM Listing Rules.

### REMUNERATION POLICY

The aggregate amounts of remuneration of our Directors for the years ended 31 December 2014 and 31 December 2015 were approximately HK\$1.4 million and HK\$1.9 million respectively. Details of the arrangement for remuneration are set out in note 27 to the Accountant’s Report in

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' service contracts and letters of appointment referred to in the paragraph headed "Further Information about Directors, Management and Staff — 9. Directors — (a) Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus, the aggregate amount of Directors' fee and other emoluments payable to our Directors (excluding any discretionary bonuses) for the year ending 31 December 2016 is estimated to be approximately HK\$3.76 million.

Our Group's principal policies concerning remuneration of Directors or staff of high caliber are determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to our operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. Our Company regularly provides discretionary bonuses to our senior management and key employees as incentive.

Our Company has conditionally adopted the Share Option Scheme on 15 June 2016 to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Please see the paragraph headed "13. Share Option Scheme" in Appendix VI to this prospectus for further details of the Share Option Scheme.

After Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

### EMPLOYEES

We recognise the importance of having a good relationship with our employees. The remuneration payable to the employees include salaries and allowances.

We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

### BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee of our Company were approved to be established by resolutions passed by the Board on 15 June 2016.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Each of the three committees has written terms of reference. The functions of the three committees are summarised as follows:

### **Audit Committee**

Our Company established an audit committee on 15 June 2016 by a resolution of the Board passed on 15 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises three independent non-executive Directors: Ms. Lee, Mr. Neo and Mr. Lau. Ms. Lee was appointed to serve as the chairlady of the audit committee. The primary duties of our audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

### **Remuneration Committee**

Our Company established a remuneration committee on 15 June 2016 by a resolution of the Board passed on 15 June 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The remuneration committee comprises an executive Director: Mr. Yau and two independent non-executive Directors: Mr. Neo and Ms. Lee. Mr. Neo was appointed as the chairman of the remuneration committee. The primary functions of our remuneration committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

### **Nomination Committee**

Our Company established a nomination committee on 15 June 2016 by a resolution of the Board passed on 15 June 2016. The nomination committee comprises an executive Director: Ms. Wu and two independent non-executive Directors: Mr. Neo and Mr. Lau. Ms. Wu was appointed as the chairlady of the nomination committee. Our nomination committee has written terms of reference in compliance with the CG Code. The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company’s corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of our independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our Chairman and the Chief Executive Officer.

**COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

**COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed VBG Capital Limited as the compliance adviser (the “**Compliance Adviser**”). The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular, or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to our Company in accordance with Rule 17.11 of the GEM Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply 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.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), based on the information available on the Latest Practicable Date, the following persons/entities will have an interest or a short position in the Shares or 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:

| <u>Name</u>           | <u>Capacity/Nature<br/>of interest</u>                  | <u>As at the<br/>date of the<br/>application<br/>proof</u> | <u>Number of Shares<br/>held after the<br/>Share Offer<sup>Note 1</sup></u> | <u>Percentage of<br/>shareholding after<br/>the Share Offer</u> |
|-----------------------|---------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------|
| Mr. Yau               | Interest in controlled<br>corporation <sup>Note 2</sup> | 1                                                          | 360,000,000<br>Shares (L)                                                   | 75%                                                             |
| Ms. Sz                | Interest in controlled<br>corporation <sup>Note 2</sup> | 1                                                          | 360,000,000<br>Shares (L)                                                   | 75%                                                             |
| Ms. Wu                | Family Interest <sup>Note 3</sup>                       | 1                                                          | 360,000,000<br>Shares (L)                                                   | 75%                                                             |
| Legend<br>Investments | Beneficial owner                                        | 1                                                          | 360,000,000<br>Shares (L)                                                   | 75%                                                             |

*Notes:*

- (1) The Letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of Legend Investments is legally and beneficially owned as to 80% by Mr. Yau and as to 20% by Ms. Sz. Accordingly, Mr. Yau and Ms. Sz are deemed to be interested in 360,000,000 Shares held by Legend Investments by virtue of the SFO.
- (3) Ms. Wu is the spouse of Mr. Yau and is therefore deemed to be interested in all the Shares held/owned by Mr. Yau (by himself or through Legend Investments) by virtue of SFO. Ms. Wu is an executive Director.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of

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## SUBSTANTIAL SHAREHOLDERS

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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.

### UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Stock Exchange, details of which are set out in the section headed “Underwriting” in this prospectus. Our Controlling Shareholders have also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

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## SHARE CAPITAL

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The tables as shown below assume the Share Offer and the Capitalisation Issue has become 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 upon the exercise of options which may be granted under the Share Option Scheme.

The authorised and issued share capital of our Company before and following the completion of the Capitalisation Issue and Share Offer is as follows:

HK\$

*Authorised share capital:*

|                       |        |                    |
|-----------------------|--------|--------------------|
| <u>10,000,000,000</u> | Shares | <u>100,000,000</u> |
|-----------------------|--------|--------------------|

*Shares in issue or to be issued, fully paid or credited as fully paid:*

|                    |                                                      |                  |
|--------------------|------------------------------------------------------|------------------|
| 100                | Shares in issue                                      | 1                |
| 359,999,900        | Shares to be issued pursuant to Capitalisation Issue | 3,599,999        |
| <u>120,000,000</u> | new Shares to be issued pursuant to the Share Offer  | <u>1,200,000</u> |
| <u>480,000,000</u> | Total                                                | <u>4,800,000</u> |

### ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### 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 issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

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## SHARE CAPITAL

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### CIRCUMSTANCES WHERE MEETING OF OUR COMPANY ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles, details of which is set out in paragraph headed “2. Articles of Association — (i) Notices of meetings and business to be conducted thereat” in Appendix III to this prospectus.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “13. Share Option Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer” being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with 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 requirement that the aggregate nominal value of the 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 the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover 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:

- (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 laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

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## SHARE CAPITAL

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For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — Further information about our Company and its subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on 15 June 2016” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on 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, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

This mandate only relates to repurchases made on GEM, or on any other stock exchange on which the Shares are listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Statutory and General Information — Further information about our Company and its subsidiaries — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required the Articles or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — Further information about our Company and its subsidiaries — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our audited combined financial statements, including the notes thereto, as included in the Accountant's Report set out in Appendix I to this prospectus (the "**Financial Information**"). Our Financial Information has been prepared in accordance with HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

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

### OVERVIEW

We are an interior design and fit out solutions provider with the fit out works performed by our designated subcontractors based in Hong Kong. We believe that our success is firmly rooted in our extensive experience and portfolio in interior design and fit out works as well as project management in Hong Kong. Our services mainly include design and fit out as well as overall project management. For details of our business, please refer to the section headed "Business" in this prospectus.

For the years ended 31 December 2014 and 2015, our Group's revenue amounted to approximately HK\$51.2 million and HK\$84.5 million respectively. During the Track Record Period, we derived all of our revenue from customers located in Hong Kong, approximately 36.5% of whom have a relationship with us for over five years. For the years ended 31 December 2014 and 2015, we had a total of 37 and 49 completed projects (excluding those relating to maintenance and aftersales services) respectively. For details of our on-going projects and new projects awarded to our Group, please refer to the paragraph headed "Business — Business Overview — Our projects — Projects in progress" in this prospectus.

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

Our results of operations have been, and are expected to be, affected by the following factors, including factors generally affecting our industry and factors specifically affecting our operations:

#### **Nature of our business is project-based**

We conduct our interior design and fit out management services business on a project basis and the number of projects undertaken every year with respect to each of our project category may not always be accurately estimated by us.

Our overall profitability is determined by the profitability of our individual projects and their respective contribution to our total revenue and profits. Going forward, our project mix, which depends on our business strategy, development of our technical know-hows, prevailing market conditions, customers' demand and regulatory requirements in respect of interior design and fit out, may change from time to time and affect our revenue, profitability and financial performance over time.

#### **Availability of interior design projects in Hong Kong**

We offer interior design and fit out solutions to our customers. The demand for our services is driven by the need of stylish and well-designed offices, residential homes and commercial premises for our customers and the general economic environment in Hong Kong. Any sudden change in market expectation on the property industry may affect the buying or leasing decision of office space, residential or commercial properties by end users, and hence the demand in our services may be affected. Historically, our customer base largely comprised lessees in the office segment and we strive to maintain recurring customers in this segment. Any concerns over the sustainability of the property market growth in Hong Kong due to (i) the possibility for an increase in interest rate; (ii) increasing housing supply; and (iii) weaker economic momentum and outlook of the Hong Kong economy, may potentially affect our customers' decision on renewal of office leases and their overall budget allocated for design and fit out of their new offices, if any. Accordingly, our results of operations and financial performance are affected by the market expectation on and prospects of the property industry. In the event that the development and growth of the property industry does not sustain or slows down, or there is any change in market expectation on our customers' industry, our business, results of operations, financial condition and prospects may be materially and adversely affected.

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

Our Group needs to estimate the time and costs involved in interior design and fit out management works in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the estimation during the performance of the projects. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of

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## FINANCIAL INFORMATION

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key design staff involved in the project, delays in providing the necessary services by our subcontractors, delays in obtaining the necessary approvals in respect of the interior designs from the relevant government authorities or their appointed consultants, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect our Group's direct margin and results of operations. Our Directors confirm that during the Track Record Period, our Group did not have any material loss-making contracts.

**Pricing of our design and fit out works will be affected by the nature of project and the customer profile**

Generally speaking, design and fit out works for the residential or commercial segment contain more elements of uniqueness and innovation when compared to those for the office segment. Therefore, we are usually able to charge a premium to our residential and commercial customers for the unique design work, the more time spent on selection of materials, etc. The project mix from office, residential and commercial segments will affect the overall profitability of our projects carried out.

For recurring or reputable corporate customers (being, for example, chained local or international retail brands), we may offer discounts in our fee quotations in order to obtain such customers as reference for future customers. Discounts may also be given to recurring customers in order to build a loyal customer base and to encourage referral of design and fit out works. Such discounts will also affect the overall profitability of our projects carried out.

**If our cost estimates fail to account for cost factors arising from any unforeseen future and unanticipated events or we fail to control our costs as estimated, our results of operations would be adversely affected.**

Our revenue is substantially derived from agreed contract fees. Our ability to achieve the target profitability is largely dependent on our ability to estimate and control costs effectively. We need to estimate the project duration and costs in order to determine the pricing of our services during the quotation and design stage. We will come to an agreed fee with the customers based on our costs estimates and negotiation with customers. We generally may not be able to pass on any increase in costs (unless it is due to customers' additional requests) to customers and the actual costs may differ from our estimate due to factors which are unanticipated or beyond the control of us. If our cost estimates fail to account for any unforeseen futures, or if we do not execute the contract within our cost estimates, our profit may be reduced and our results of operations would be adversely affected.

Moreover, the scale of our projects may vary significantly. The significant variation in the scale of projects that we can secure may affect our allocation of resources and business performance and there is no assurance that we can secure large-scaled projects or that such fluctuation in the scale of project will not continue in the future.

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## FINANCIAL INFORMATION

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### *Hypothetical sensitivity analysis*

The following sensitivity analysis of the estimated increases/decreases of our operating profit illustrates the impact of hypothetical fluctuations in the subcontracting and materials costs assuming all other variables remain constant during the Track Record Period:

|                                                                          | <u>Operating profit</u><br>HK\$'000 | <u>Increase/<br/>(decrease) in<br/>operating profit</u><br>HK\$'000 |
|--------------------------------------------------------------------------|-------------------------------------|---------------------------------------------------------------------|
| <b>For the year ended 31 December 2014</b>                               |                                     |                                                                     |
| Subcontracting and materials costs ( <i>Note</i> ) increase/decrease by: |                                     |                                                                     |
| +15%                                                                     | 1,712                               | (5,319)                                                             |
| +10%                                                                     | 3,485                               | (3,546)                                                             |
| +5%                                                                      | 5,258                               | (1,773)                                                             |
| 0%                                                                       | 7,031                               | —                                                                   |
| –5%                                                                      | 8,804                               | 1,773                                                               |
| –10%                                                                     | 10,577                              | 3,546                                                               |
| –15%                                                                     | 12,350                              | 5,319                                                               |

### **For the year ended 31 December 2015**

Subcontracting and materials costs (*Note*) increase/decrease by:

|      |        |         |
|------|--------|---------|
| +15% | 9,846  | (8,326) |
| +10% | 12,621 | (5,551) |
| +5%  | 15,397 | (2,775) |
| 0%   | 18,172 | —       |
| –5%  | 20,947 | 2,775   |
| –10% | 23,723 | 5,551   |
| –15% | 26,498 | 8,326   |

*Note:* Certain material purchase costs were included in the subcontracting fees and they could not be segregated as the terms of our contracts with our subcontractors would sometimes include the provision of fit out materials by our subcontractors.

### **Availability and performance of our subcontractors and our ability to complete works on time**

We normally engage subcontractors to perform works such as 3D drawing drafting works, carpentry works, marble works, production and installation of furniture, partitioning works, ceiling works, glassware works, electrical works, plumbing and drainage works, steel works, waste disposal works and masonry work and we focus on project management and supervision. For the years ended 31 December 2014 and 2015, subcontracting and material costs incurred by us amounted to approximately HK\$35.5 million and HK\$55.5 million respectively. Notwithstanding our evaluation and selection of subcontractors, there is no assurance that the work quality of our subcontractors can always meet our requirements. Outsourcing the works to subcontractors exposes us to the risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may incur additional costs or be subject to liability under the relevant contracts between us and our customers for our subcontractors' unsatisfactory performance. We may be liable to pay damages to our customers if we are unable to meet the time schedules specified in the contracts due to the unsatisfactory performance by our subcontractors. Such events could impact our financial performance and reputation. In addition, there is no assurance that our Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operations and financial position may be adversely affected.

### **Timing of collection of our trade receivables**

We receive progress payment from our customers pursuant to the respective contractual terms. Our Group normally submits invoice to our customers by different stages as specified in the contract. If the customer is satisfied with the invoice, a payment will subsequently be made. There can be no assurance that we will be paid on time. Any failure by our customers to make payment to our Group on a timely basis may have an adverse effect on our liquidity and financial position.

### **Working capital requirements associated with undertaking contract works**

When undertaking contract works, there are often time lags between making payments to our subcontractors and receiving payments from our customers, resulting in possible cash flow mismatch. In some occasions upon request by our customers, we will provide security in the form of surety bond whereby a surety, being a bank or an insurance company, shall satisfy and discharge any damages sustained by our customers up to approximately 10% of the total contract sum, which may be supported by our Group. Such surety bond will cease to have effect and expire on the date of completion of the relevant project. During the Track Record Period and up to the Latest Practicable Date, no surety bond had been called upon by our customers.

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## FINANCIAL INFORMATION

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### **BASIS OF PRESENTATION**

The companies now comprising our Group, engaging in the provision of interior design and fit out solutions as well as overall project management in Hong Kong, were under the common control of our Controlling Shareholders, immediately before and after the Reorganisation. For the purpose of this prospectus, the financial information has been prepared on a combined basis.

The financial information has been prepared by including the financial information of the companies engaged in our Group's business, under common control of our Controlling Shareholders immediately before and after the Reorganisation and now comprising our Group as if the current group structure had been in existence throughout the years presented, or since the date when the combining companies first came under the control of our Controlling Shareholders, whichever is the shorter period.

The net assets of the combining companies were combined using the existing book values from our Controlling Shareholders' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgement, and could yield materially different results under different conditions and/or assumptions. The preparation of the financial information in conformity with HKFRSs requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our combined financial statements included elsewhere in this prospectus.

The significant accounting policies, judgements and estimates are set forth in note 2 and note 4 to the Accountant's Report in Appendix I to this prospectus. We set out below selected critical accounting policies adopted and estimates made in the preparation of our financial statements which we believe are both important to the presentation of our financial statements and involve the most significant estimates and judgements.

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## FINANCIAL INFORMATION

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### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of our Group's activities. Revenue is shown net of rebates and discounts.

Our Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group's activities as described below. Our Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Design and fit out services income are recognised based on the stage of completion of the contracts as detailed in the accounting policy headed "Construction contracts" below, provided that the stage of contract completion and the gross billing value of the contracting work can be measured reliably. The stage of completion of a contract is established by reference to the proportion of work performed to date. For projects which involve only design works or maintenance or aftersale services, the related income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive the payment is established.

### Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

|                        |         |
|------------------------|---------|
| Computer               | 3 years |
| Office equipment       | 3 years |
| Furniture              | 5 years |
| Leasehold improvements | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined statements of comprehensive income.

### **Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the estimates of work performed to date relative to the estimated total contract revenue, which is indicated in the project progress report prepared by our project management staff. Variations in contract work, claims and incentive payments are included to the extent that customers have agreed and approved these payments.

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 expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Where 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 billed for work performed but not yet paid by the customer are included in the combined balance sheets under trade receivables.

### **Financial assets**

Our Group classifies its financial assets in the following categories: available-for-sale and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **(i) *Classification***

##### **a. *Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. Our Group's loans and receivables comprise "trade and other receivables", "amount due from a related company", "amount due from directors", "cash and cash equivalents" and "amounts due from customers for contract work" in the combined balance sheet.

b. *Available-for-sale financial assets*

Available-for-sale financial assets are listed equity securities. They are included in non-current assets since there is no intention to trade and there is no past practice of trading for short-term profit. Our Group currently has no treasury and investment policy in relation to these financial assets as we do not have any intention to further invest in them in the future.

(ii) ***Recognition and measurement***

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which our Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and our Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the combined statements of comprehensive income as “gains and losses from investment securities”.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when our Group’s right to receive payments is established.

**Impairment of financial assets**

(i) ***Assets carried at amortised cost***

Our Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, our Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

**(ii) *Assets classified as available-for-sale***

Our Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the combined statements of comprehensive income on equity instruments are not reversed through the combined statements of comprehensive income.

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## FINANCIAL INFORMATION

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### RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth our statements of comprehensive income and other financial information for the years ended 31 December 2014 and 2015 as derived from the Accountant's Report of our Group in Appendix I to this prospectus:

#### Combined Statements of Comprehensive Income

|                                                                                      | For the year ended 31 December |                |
|--------------------------------------------------------------------------------------|--------------------------------|----------------|
|                                                                                      | 2014                           | 2015           |
|                                                                                      | HK\$'000                       | HK\$'000       |
| Revenue                                                                              | 51,158                         | 84,512         |
| Other income                                                                         | 71                             | 76             |
| Other losses, net                                                                    | (184)                          | (309)          |
| Subcontracting and materials costs                                                   | (35,459)                       | (55,506)       |
| Employee benefit expenses                                                            | (6,417)                        | (7,156)        |
| Rental expenses                                                                      | (638)                          | (669)          |
| Other expenses                                                                       | <u>(1,500)</u>                 | <u>(2,776)</u> |
| <b>Operating profit</b>                                                              | 7,031                          | 18,172         |
| Finance income                                                                       | <u>38</u>                      | <u>97</u>      |
| <b>Profit before income tax</b>                                                      | 7,069                          | 18,269         |
| Income tax expense                                                                   | <u>(1,162)</u>                 | <u>(2,975)</u> |
| <b>Profit for the year attributable to owners of our Company</b>                     | <u>5,907</u>                   | <u>15,294</u>  |
| Other comprehensive income                                                           | <u>—</u>                       | <u>—</u>       |
| <b>Total comprehensive income for the year attributable to owners of our Company</b> | <u>5,907</u>                   | <u>15,294</u>  |
| <b>Dividends</b>                                                                     | <u>6,000</u>                   | <u>5,500</u>   |
| <b>Basic and diluted earnings per share</b>                                          | <u>N/A</u>                     | <u>N/A</u>     |

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### DISCUSSION AND ANALYSIS OF PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

During the Track Record Period, our Group recorded revenue of approximately HK\$51.2 million and HK\$84.5 million and a profit for the year attributable to owners of our Company of approximately HK\$5.9 million and HK\$15.3 million for the years ended 31 December 2014 and 2015 respectively. Prospective investors should note the fluctuation of our Group's past financial performance as explained below.

#### Revenue

Our Group's revenue was principally generated from the provision of interior design and fit out management services in Hong Kong. During the Track Record Period, we derived 100% of our revenue from customers located in Hong Kong, approximately 36.5% of whom have a relationship with us for over five years. Besides, three of our customers who are located in Hong Kong engaged us to provide design works or design works and materials sourcing in relation to the sites located in the PRC and Taiwan. The aggregate revenue contributed by these projects amounted to approximately HK\$3.1 million and HK\$2.9 million and represented approximately 6.0% and 3.4% of the total revenue for the years ended 31 December 2014 and 2015 respectively.

The following table sets forth a breakdown of our revenue and the percentage contribution to our total revenue by customer type with classification by business segment for the years ended 31 December 2014 and 2015:

|                                            | For the year ended 31 December |              |               |              |
|--------------------------------------------|--------------------------------|--------------|---------------|--------------|
|                                            | 2014                           | %            | 2015          | %            |
|                                            | HK\$'000                       |              | HK\$'000      |              |
| <b>Design and fit out/design only</b>      |                                |              |               |              |
| (Note 1)                                   |                                |              |               |              |
| Corporate (Note 2)                         |                                |              |               |              |
| — Office                                   | 41,757                         | 81.6         | 56,257        | 66.6         |
| — Commercial                               | —                              | —            | 18,180        | 21.5         |
| Private (Note 3)                           |                                |              |               |              |
| — Residential                              | 6,380                          | 12.5         | 6,734         | 8.0          |
| <b>Maintenance and aftersales services</b> |                                |              |               |              |
|                                            | 3,021                          | 5.9          | 3,341         | 3.9          |
| <b>Total</b>                               | <b>51,158</b>                  | <b>100.0</b> | <b>84,512</b> | <b>100.0</b> |

Notes:

- (1) Revenue from design-only projects amounted to approximately HK\$0.4 million and HK\$4.1 million for the years ended 31 December 2014 and 31 December 2015 respectively. As these amounts contributed only an insignificant proportion to the total revenue for the respective years, no breakdowns between design and fit out and design only are shown.

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- (2) Corporate projects mainly include projects engaged by our corporate clients for corporate use.
- (3) Private projects mainly include high-value residential projects engaged directly by our individual customers or through designated corporate entities for private use.

Our revenue increased by approximately 65.0% from approximately HK\$51.2 million for the year ended 31 December 2014 to approximately HK\$84.5 million for the year ended 31 December 2015. The increase was mainly attributable to revenue contribution from a few office projects with individual revenue of over HK\$5.0 million and a commercial project with revenue of approximately HK\$15.0 million carried out for the year ended 31 December 2015.

In addition to the core services we offer, we also provide maintenance and aftersales services which could cater for our customers' different requirement from time to time. We believe the maintenance and aftersales services provided to our customers form the crux to achieving customer loyalty and retention.

### **Other income**

During the Track Record Period, other income represented dividend income from available-for-sale financial assets which amounted to approximately HK\$71,000 and HK\$76,000 for the years ended 31 December 2014 and 2015 respectively.

### **Other losses, net**

During the Track Record Period, other losses, net included foreign exchange gains/losses and impairment losses on available-for-sale financial assets. For the years ended 31 December 2014 and 2015, our other losses, net amounted to approximately HK\$0.2 million and HK\$0.3 million respectively.

### **Subcontracting and materials costs**

Our subcontracting and materials costs represented the amount paid to (i) our subcontractors for the provision of services such as 3D drawing drafting workings, carpentry works, marble works, production and installation of furniture, partitioning works, ceiling works, glassware works, electrical works, plumbing and drainage works, steel works, waste disposal works and masonry work and (ii) our materials suppliers for the provision of fit out materials which typically include lightings, carpets, tiles, wallpapers, ironmongery and fabrics. For the years ended 31 December 2014 and 2015, our subcontracting and materials costs amounted to approximately HK\$35.5 million and HK\$55.5 million respectively.

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### Employee benefit expenses

Employee benefit expenses primarily consist of employee salaries and allowances, sales commissions, pension costs and welfare and benefits. For the years ended 31 December 2014 and 2015, our employee benefit expenses amounted to approximately HK\$6.4 million and HK\$7.2 million respectively. Our Group had a total of 19 employees and 21 employees as at 31 December 2014 and 2015 respectively.

### Rental expenses

For the years ended 31 December 2014 and 2015, our rental expenses in respect of rented premises amounted to approximately HK\$0.6 million for both years. Our rented premises represented our office premises.

### Other expenses

Other expenses mainly include legal and professional fees, travelling and entertainment expenses and other office expenses. For the years ended 31 December 2014 and 2015, our other expenses amounted to approximately HK\$1.5 million and HK\$2.8 million respectively.

The following table sets forth the breakdown of other expenses for the years indicated:

|                              | For the year ended 31 December |                  |
|------------------------------|--------------------------------|------------------|
|                              | 2014                           | 2015             |
|                              | HK\$                           | HK\$             |
| Depreciation                 | 129,401                        | 103,148          |
| Travelling and entertainment | 113,659                        | 446,769          |
| Auditor's remuneration       | 30,800                         | 300,000          |
| Insurance                    | 18,335                         | 193,296          |
| Legal and professional fees  | 758,657                        | 1,302,695        |
| Other office expenses        | <u>450,103</u>                 | <u>429,627</u>   |
| Total Other expenses         | <u>1,500,955</u>               | <u>2,775,535</u> |

### Operating profit

Our operating profit increased by approximately 158.5% from approximately HK\$7.0 million for the year ended 31 December 2014 to approximately HK\$18.2 million for the year ended 31 December 2015. The increase was mainly attributable to the increase in direct margin in 2015, which effect was partially offset by the increase in other expenses such as legal and professional fees and travelling and entertainment expenses.

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### **Finance income**

Our finance income mainly includes interest income on bank deposits. For the years ended 31 December 2014 and 2015, our finance income amounted to approximately HK\$38,000 and HK\$97,000 respectively.

### **Income tax expenses**

#### ***Cayman Islands***

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and is not subject to income tax.

#### ***Hong Kong***

Income tax expense represents the provision of Hong Kong profits tax calculated at 16.5% of the estimated profit during the Track Record Period. For the years ended 31 December 2014 and 2015, the income tax expense incurred by our Group amounted to approximately HK\$1.2 million and HK\$3.0 million respectively.

Our Directors confirm that (i) our Group has made all required tax filings under the relevant tax laws and regulations in Hong Kong and has paid all outstanding tax liabilities due as at 31 December 2015 and (ii) that our Group is not subject to any dispute with the tax authorities in Hong Kong as at 31 December 2015.

### **Profit for the year**

Profit for the year attributable to owners of our Company has increased by approximately 160.0% from approximately HK\$6.0 million for the year ended 31 December 2014 to approximately HK\$15.3 million for the year ended 31 December 2015. The increase was primarily due to the increase in operating profit in 2015, which effect was partially offset by the increased income tax expenses.

### **Year ended 31 December 2014 compared to year ended 31 December 2015**

#### ***Revenue***

Our total revenue increased by approximately HK\$33.3 million or 65.0% from approximately HK\$51.2 million for the year ended 31 December 2014 to approximately HK\$84.5 million for the year ended 31 December 2015. The increase was primarily attributable to the following:

- (i) Revenue of approximately HK\$15.0 million of a commercial project was recognised in 2015 whereas there was no commercial project in 2014; and

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- (ii) There were three office projects in 2015 each with revenue exceeding HK\$5 million giving rise to an aggregate revenue of approximately HK\$17.6 million whereas there was no office project in 2014 with individual project revenue exceeding HK\$5 million.

### *Direct margin*

Defined as revenue less subcontracting and material costs, the direct margin indicates our overall project profitability for the year before taking into account of other fixed costs. The following table sets forth our direct margin for the years ended 31 December 2014 and 2015:

|                                                      | For the year ended 31 December |          |
|------------------------------------------------------|--------------------------------|----------|
|                                                      | 2014                           | 2015     |
|                                                      | HK\$'000                       | HK\$'000 |
| Direct margin                                        | 15,699                         | 29,006   |
| Direct margin % (as a ratio of revenue for the year) | 30.7%                          | 34.3%    |

Our direct margin increased by approximately 85.0% from approximately HK\$15.7 million for the year ended 31 December 2014 to approximately HK\$29.0 million for the year ended 31 December 2015, the increase was mainly attributable to the increase in revenue and our direct margin %. Our direct margin % increased from approximately 30.7% for the year ended 31 December 2014 to approximately 34.3% for the year ended 31 December 2015. Such increase was a combined effect of the fluctuation of the direct margins of different customer segments, which is further analysed as follows:

| Customer segment | Direct margin                  |      |          |      |
|------------------|--------------------------------|------|----------|------|
|                  | For the year ended 31 December |      |          |      |
|                  | 2014                           |      | 2015     |      |
|                  | HK\$'000                       | %    | HK\$'000 | %    |
| Office           | 13,368                         | 32.0 | 15,846   | 28.2 |
| Commercial       | —                              | —    | 8,884    | 48.9 |
| Residential      | 1,172                          | 18.4 | 2,594    | 38.5 |

### *Office*

For the year ended 31 December 2014, our direct margin % for office customers was approximately 32.0%, which was approximately 3.8% higher than 2015 with direct margin of approximately 28.2%. This was the combined effect of the followings:

- (i) Aggregate revenue of approximately HK\$1.7 million were recognised in 2014 for nine office projects which were completed before 2014 but these revenues were not considered to be probable before 2014 due to certain defect remediation works required

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by our customer. Such remediation works were completed in 2014 when there was no direct subcontracting and material costs incurred in the same year as our subcontractors were responsible for attending to such remediation works under the contract terms;

- (ii) The effect described in (i) was partially offset by three office projects each with revenue exceeding HK\$2 million in 2014 giving rise to an aggregate revenue of approximately HK\$11.4 million that earned an average direct margin of approximately 17% compared to two such office projects each with revenue exceeding HK\$2 million in 2015 giving rise to an aggregate revenue of approximately HK\$10.0 million that earned an average direct margin of approximately 17%, which was either due to: (a) special discount of over 10% given to recurring customers, and/or (b) significant proportion of contract amount being works carried out by subcontractors nominated by customers or material purchases which we earned a direct margin of below 15%; and
- (iii) The effect described in (i) was also partially offset by a project in 2015 with revenue of approximately HK\$2.5 million that earned a direct margin of 50% as a premium was charged for the unique and innovative office design.

### *Commercial*

There was no commercial project for the year ended 31 December 2014. Commercial projects for the year ended 31 December 2015 had earned a higher direct margin % as we charged a premium for the unique and innovative designs required in commercial premises. Besides, there were three design-only projects in 2015 with aggregate revenue of approximately HK\$3.2 million that earned 100% direct margin, as no subcontracting and material costs were incurred in design-only projects.

### *Residential*

The direct margin % for residential customers for the year ended 31 December 2015 was approximately 38.5%, which was significantly higher than that of approximately 18.4% for the year ended 31 December 2014 due to the following:

- (i) Due to performance issues of one project management staff in 2014, additional costs such as rework of renovation components due to miscommunication with subcontractors or recharge of additional rental by customers due to delay were incurred for two residential projects with aggregate revenue of approximately HK\$4.5 million and resulted in an average direct margin of only approximately 13%. As a result, we have assigned additional project management staff in individual residential project to strengthen the execution time and coordination work. Improvement was reflected in 2015 direct margin of residential projects as described below; and
- (ii) Two residential projects in 2015 with aggregate revenue of approximately HK\$2.7 million and average direct margin of approximately 41% as a premium was charged for (i) the unique and innovative design; and (ii) we have implemented certain enhanced

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measures in 2015 including the assignment of additional project management staff for individual residential project to strengthen the project execution time and coordination and engaging a single fit out subcontractor to coordinate all fit out subcontracting works for individual project to promote streamlined communications between the fit out subcontractor and our project management staffs. These enhanced measures had improved effectiveness of our project management and the overall direct margin for residential projects.

### ***Other income***

Our other income represents dividend income from available-for-sale financial assets, which slightly increased by approximately HK\$5,000 or 7.0% from approximately HK\$71,000 for the year ended 31 December 2014 to approximately HK\$76,000 for the year ended 31 December 2015.

### ***Other losses, net***

Our other losses, net increased by approximately HK\$0.1 million or 50% from approximately HK\$0.2 million for the year ended 31 December 2014 to approximately HK\$0.3 million for the year ended 31 December 2015.

### ***Subcontracting and materials costs***

Our subcontracting and materials costs increased by approximately HK\$20.0 million or 56.3% from approximately HK\$35.5 million for the year ended 31 December 2014 to approximately HK\$55.5 million for the year ended 31 December 2015. The increase was roughly in line with the increase in revenue but to a lesser extent primarily due to (i) the premium charged for our commercial customers and (ii) enhanced project management in controlling our costs in 2015.

### ***Employee benefit expenses***

Our employee benefit expenses increased by approximately HK\$0.8 million or 12.5% from approximately HK\$6.4 million for the year ended 31 December 2014 to approximately HK\$7.2 million for the year ended 31 December 2015.

### ***Rental expenses***

Our rental expenses remained stable at approximately HK\$0.6 million for the two years ended 31 December 2014 and 2015.

### ***Other expenses***

Our other expenses increased by approximately HK\$1.3 million or 86.7% from approximately HK\$1.5 million for the year ended 31 December 2014 to approximately HK\$2.8 million for the year ended 31 December 2015. The increase in other expenses was mainly due to increased

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professional fees for business and marketing development advice and increased travelling and entertainment expenses due to more projects being carried out for the year ended 31 December 2015.

### *Finance income*

Our finance income increased by approximately HK\$59,000 or 155.3% from approximately HK\$38,000 for the year ended 31 December 2014 to approximately HK\$97,000 for the year ended 31 December 2015 due to the larger average monthly balance of short-term fixed bank deposits in 2015.

### *Income tax expense*

Our income tax expense increased by approximately HK\$1.8 million or 150.0% from approximately HK\$1.2 million for the year ended 31 December 2014 to approximately HK\$3.0 million for the year ended 31 December 2015.

### *Profit for the year*

Profit for the year attributable to owners of our Company has increased from approximately HK\$6.0 million for the year ended 31 December 2014 to approximately HK\$15.3 million for the year ended 31 December 2015. The increase was primarily due to the increase in operating profit for the year ended 31 December 2015.

## LIQUIDITY AND CAPITAL RESOURCES

We finance our liquidity requirements primarily through our current cash and cash equivalents and cash flows from operations.

### **Cash Flow**

The following table sets out a summary of net cash flow for the years indicated:

|                                                        | <b>For the year ended 31 December</b> |                      |
|--------------------------------------------------------|---------------------------------------|----------------------|
|                                                        | <b>2014</b>                           | <b>2015</b>          |
|                                                        | <b>HK\$'000</b>                       | <b>HK\$'000</b>      |
| Operating profit before working capital changes        | 7,275                                 | 18,430               |
| Net cash generated from operating activities           | 6,915                                 | 2,391                |
| Net cash (used in)/generated from investing activities | (3,672)                               | 3,607                |
| Net cash (used in) financing activities                | <u>(5,717)</u>                        | <u>(3,295)</u>       |
| Net (decrease)/increase in cash and cash equivalents   | (2,474)                               | 2,703                |
| Cash and cash equivalents at the beginning of year     | <u>12,466</u>                         | <u>9,992</u>         |
| Cash and cash equivalents at the end of year           | <u><u>9,992</u></u>                   | <u><u>12,695</u></u> |

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### *Operating activities*

Net cash from operating activities primarily consisted of profit before income tax expense adjusted for non-cash items, such as depreciation of property, plant and equipment, dividend income from available-for-sale financial assets, finance income, impairment losses on available-for-sale financial assets, effects of movement in working capital and Hong Kong profits tax paid.

#### *Year ended 31 December 2014*

Our net cash from operating activities was approximately HK\$6.9 million for the year ended 31 December 2014, primarily as a result of operating cash flows of approximately HK\$7.3 million before net positive changes in working capital of approximately HK\$1.6 million and tax payment of approximately HK\$2.0 million. Changes in working capital primarily consisted of combined effects of the following:

- (i) the decrease in trade and other receivables of approximately HK\$5.4 million;
- (ii) the increase in amounts due from customers for contract work of approximately HK\$0.9 million;
- (iii) the decrease in amounts due to customers for contract work of approximately HK\$1.5 million;
- (iv) the decrease in amounts due from a related company of approximately HK\$0.1 million; and
- (v) the decrease in trade and other payables of approximately HK\$1.5 million.

Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph headed “Analysis of Selected Combined Balance Sheet Items” in this section.

#### *Year ended 31 December 2015*

Our net cash generated from operating activities was approximately HK\$2.4 million for the year ended 31 December 2015, primarily as a result of operating cash flows of approximately HK\$18.4 million before net negative changes in working capital of approximately HK\$15.2 million and tax payment of approximately HK\$0.8 million. Changes in working capital primarily consisted of combined effects of the following:

- (i) the increase in trade and other receivables of approximately HK\$16.7 million;
- (ii) the decrease in amounts due from customers for contract work of approximately HK\$1.6 million;

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- (iii) the increase in amounts due to customers for contract work of approximately HK\$0.2 million;
- (iv) the decrease in amounts due from a related company of approximately HK\$0.6 million; and
- (v) the decrease in trade and other payables of approximately HK\$0.9 million.

Explanations of fluctuations of the aforesaid items from the combined statements of financial positions are set out in the paragraph headed “Analysis of Selected Combined Balance Sheet Items” in this section.

### ***Investing activities***

#### *Year ended 31 December 2014*

Our net cash used in investing activities was approximately HK\$3.7 million for the year ended 31 December 2014, primarily attributable to the making of short-term fixed bank deposits of approximately HK\$3.5 million out of our own cash and cash equivalents.

#### *Year ended 31 December 2015*

Our net cash generated from investing activities was approximately HK\$3.6 million for the year ended 31 December 2015, primarily attributable to the maturity of short-term fixed bank deposits of approximately HK\$3.5 million during 2015 and reclassified back to cash and cash equivalents.

### ***Financing activities***

#### *Year ended 31 December 2014*

Our net cash used in financing activities was approximately HK\$5.7 million for the year ended 31 December 2014, attributable mainly to the dividends paid.

#### *Year ended 31 December 2015*

Our net cash used in financing activities was approximately HK\$3.3 million, primarily due to the increase in amounts due from directors of approximately HK\$4.0 million and the increase in amount due to a director of approximately HK\$0.7 million.

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### NET CURRENT ASSETS

During the Track Record Period, we had net current assets of approximately HK\$6.1 million as at 31 December 2014 and approximately HK\$16.2 million as at 31 December 2015. The following table sets out the details of our current assets and current liabilities as at the dates indicated:

|                                              | As at 31 December |               | As at         |
|----------------------------------------------|-------------------|---------------|---------------|
|                                              | 2014              | 2015          | 30 April 2016 |
|                                              | HK\$'000          | HK\$'000      | HK\$'000      |
| <b>Current assets</b>                        |                   |               |               |
| Trade and other receivables                  | 5,003             | 21,706        | 13,913        |
| Amounts due from customers for contract work | 3,108             | 1,480         | 11,432        |
| Amount due from a related company            | 3,339             | 2,790         | —             |
| Amounts due from directors                   | 2,544             | 1,085         | —             |
| Short-term bank deposits                     | 3,531             | —             | —             |
| Cash and cash equivalent                     | 9,992             | 12,695        | 13,178        |
| <b>Total current assets</b>                  | <u>27,517</u>     | <u>39,756</u> | <u>38,523</u> |
| <b>Current liabilities</b>                   |                   |               |               |
| Trade and other payables                     | 20,836            | 19,916        | 24,316        |
| Amounts due to customers for contract work   | 319               | 520           | 150           |
| Amount due to a director                     | —                 | 746           | —             |
| Current income tax liabilities               | 229               | 2,410         | 2,580         |
| <b>Total current liabilities</b>             | <u>21,384</u>     | <u>23,592</u> | <u>27,046</u> |
| <b>Net current assets</b>                    | <u>6,133</u>      | <u>16,164</u> | <u>11,477</u> |

Our net current assets increased significantly from approximately HK\$6.1 million as at 31 December 2014 to approximately HK\$16.2 million as at 31 December 2015 primarily due to the increase in trade and other receivables and cash and cash equivalents as at 31 December 2015 compared to 31 December 2014 by approximately HK\$16.7 million and HK\$2.7 million respectively, although there was a notable drop as at 31 December 2015 compared to 31 December 2014 in amounts due from customers for contract work, amount due from a related company, amounts due from directors and short-term bank deposits.

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Our net current assets decreased from approximately HK\$16.2 million as at 31 December 2015 to approximately HK\$11.5 million as at 30 April 2016 primarily due to the increase in trade and other payables as at 30 April 2016 compared to 31 December 2015 by approximately HK\$4.4 million.

### ANALYSIS OF SELECTED COMBINED BALANCE SHEET ITEMS

#### Available-for-sale financial assets

Our available-for-sale-financial assets primarily relate to our long-term investments acquired in 2009 in equity securities of one listed company in Hong Kong. Our available-for sale financial assets amounted to approximately HK\$1.4 million and HK\$1.3 million as at 31 December 2014 and 2015 respectively, which decrease was due to impairment loss amounting to approximately HK\$231,000, set-off by the dividend income (in the form of equity securities) amounting to approximately HK\$76,000. There were no buy or sell transactions made for our available-for-sale financial assets during the Track Record Period and we have no intention to buy any listed securities in the foreseeable future.

#### Trade and other receivables

Our trade and other receivables mainly represented the balance due from our customers, prepayments, deposits and other receivables. Our trade and other receivables amounted to approximately HK\$5.0 million and HK\$21.7 million as at 31 December 2014 and 2015 respectively.

The following table sets forth our trade and other receivables as at the dates indicated:

|                                             | As at 31 December |               |
|---------------------------------------------|-------------------|---------------|
|                                             | 2014              | 2015          |
|                                             | HK\$'000          | HK\$'000      |
| Trade receivables                           | 4,585             | 21,235        |
| Prepayments, deposits and other receivables | 418               | 471           |
| <b>Total</b>                                | <b>5,003</b>      | <b>21,706</b> |

#### *Trade receivables*

Trade receivables arise when we issue invoices to customers according to the billing terms in the contracts. The proportion of invoice amounts billed to customers, out of the total contract sum, may be different from the actual percentage of completion of a project. The difference between the invoice amounts billed and revenue recognised based on actual percentage of completion will be recognized separately as “amounts due from/to customers for contract work” (discussed separately in this section).

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The trade receivables increased from approximately HK\$4.6 million to approximately HK\$21.2 million as at 31 December 2014 and 2015 respectively. The increase was mainly due to concentration of progress invoices issued to customers near the year end of 2015, which were related to one commercial project of contract sum of approximately HK\$15.0 million and one office project of contract sum of approximately HK\$9.0 million.

The following table sets out the ageing analysis of our trade receivables, net of impairment losses, as at the dates indicated:

|                   | As at 31 December   |                      |
|-------------------|---------------------|----------------------|
|                   | 2014                | 2015                 |
|                   | HK\$'000            | HK\$'000             |
| 1–30 days         | 2,120               | 13,630               |
| 31–60 days        | 901                 | 2,895                |
| More than 60 days | <u>1,564</u>        | <u>4,710</u>         |
| <b>Total</b>      | <u><u>4,585</u></u> | <u><u>21,235</u></u> |

The following table sets out the trade receivables turnover days for the Track Record Period:

|                                                 | For the year ended 31 December |      |
|-------------------------------------------------|--------------------------------|------|
|                                                 | 2014                           | 2015 |
| Trade receivables turnover days ( <i>Note</i> ) | 50                             | 56   |

*Note:* Trade receivables turnover days equals average balance of trade receivables divided by revenue for the relevant year multiplied by the number of days in the relevant year. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year divided by two.

We generally do not grant credit terms to our customers. Trade receivables turnover days for the years ended 31 December 2014 and 2015 were 50 days and 56 days respectively, the positive trade receivables turnover days mainly represented the time taken for reconciling the details of invoices with customers as well as for internal processing of invoice payments on the part of customers. Our trade receivables turnover days had increased by six days mainly due to larger aggregate amount of invoices issued to customers near the year end of 2015 when compared to 2014 and our experience of delayed settlement from certain customers. As credit control measures, we maintain frequent communications with customers to ensure their financial viability and closely monitor their payment history to minimise delayed settlement.

Based on the fact that these customers have been continuously settling our bills without default, our Directors considered that there is no collectability issue in relation to such outstanding trade receivables and, accordingly, no provision had been made. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, none of these customers had defaulted on their payments to our Group.

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Our policy for impairment loss on trade receivables is based on specific evaluation of collectability of individual receivables, which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review our trade receivable balance and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances.

No impairment loss on trade receivables was recognised during the Track Record Period.

As at the Latest Practicable Date, approximately 67.7% of our trade receivables as at the year ended 31 December 2015 were subsequently settled and is analysed by ageing as follows:

|                   | <u>HK\$'000</u>      |
|-------------------|----------------------|
| 1–30 days         | 9,107                |
| 31–60 days        | 2,175                |
| More than 60 days | <u>3,095</u>         |
| <b>Total</b>      | <u><u>14,377</u></u> |

### *Prepayments, deposits and other receivables*

Our prepayments, deposits and other receivables mainly represented the prepayments for subcontracting costs and rental deposit.

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

According to our accounting policies, our Group presents the balance as an asset when the gross amounts due from customers for contract works for all projects in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings to customers. Our Group presents the balance as a liability when the gross amounts due to customers for contract works for projects in progress for which progress billings to customers exceed costs incurred plus recognised profits (less recognised losses).

The following table sets forth the gross amounts due from/to customers for contract work as at the dates indicated:

|                                                    | <u>As at 31 December</u> |             |
|----------------------------------------------------|--------------------------|-------------|
|                                                    | <u>2014</u>              | <u>2015</u> |
|                                                    | HK\$'000                 | HK\$'000    |
| Gross amounts due from customers for contract work | 3,108                    | 1,480       |
| Gross amounts due to customers for contract work   | 319                      | 520         |

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All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

### Amount due from a related company

The following table sets out our amount due from a related company as at the dates indicated:

|                                | As at 31 December |          |
|--------------------------------|-------------------|----------|
|                                | 2014              | 2015     |
|                                | HK\$'000          | HK\$'000 |
| Legend Enterprise (HK) Limited | 3,339             | 2,790    |

The amount due from a related company was unsecured, non-interest bearing and repayable on demand. The amount due from a related company was fully settled in February 2016.

During the Track Record Period, we entered into the transactions with our related parties. Our Directors are of the view that these transactions were entered into on normal commercial terms and/or our terms that are not less favourable than terms available from independent third parties which are considered fair and reasonable and in the interest of the Shareholders as a whole. For details of related party transactions conducted during the Track Record Period, please refer to note 26 to the Accountant's Report set out in Appendix I to this prospectus.

### Amounts due from/to directors

The following table sets forth the amounts due from/to director(s) as at the dates indicated:

|                                  | As at 31 December |              |
|----------------------------------|-------------------|--------------|
|                                  | 2014              | 2015         |
|                                  | HK\$'000          | HK\$'000     |
| Amounts due from directors       |                   |              |
| — Ms. Sz                         | 234               | —            |
| — Mr. Yau                        | 2,310             | 1,085        |
| <b>Total</b>                     | <b>2,544</b>      | <b>1,085</b> |
| Amount due to a director, Ms. Sz | —                 | 746          |

The amounts due from/to the directors were unsecured, non-interest bearing and repayable on demand. These amounts with directors were fully settled in February 2016.

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### Cash and cash equivalents

Our cash and cash equivalents represented cash held at bank and on hand. Cash and cash equivalents amounted to approximately HK\$10.0 million and HK\$12.7 million as at 31 December 2014 and 2015 respectively.

### Trade and other payables

Our trade and other payables primarily relate to the payables to our subcontractors and materials suppliers, accrued employee benefit expenses, receipts in advance and other payables. Our trade and other payables amounted to approximately HK\$20.8 million and HK\$19.9 million as at 31 December 2014 and 2015 respectively.

The following table sets forth our trade and other payables as at the dates indicated:

|                                   | <b>As at 31 December</b> |                      |
|-----------------------------------|--------------------------|----------------------|
|                                   | <b>2014</b>              | <b>2015</b>          |
|                                   | <b>HK\$'000</b>          | <b>HK\$'000</b>      |
| Trade payables                    | 17,111                   | 17,141               |
| Accrued employee benefit expenses | 618                      | 903                  |
| Receipts in advance               | 220                      | 317                  |
| Other payables                    | <u>2,887</u>             | <u>1,555</u>         |
| <b>Total</b>                      | <b><u>20,836</u></b>     | <b><u>19,916</u></b> |

### Trade payables

Our trade payables remained stable at approximately HK\$17.1 million as at 31 December 2014 and 2015.

The following table sets out the trade payables turnover days for the Track Record Period:

|                                             | <b>For the year ended 31 December</b> |             |
|---------------------------------------------|---------------------------------------|-------------|
|                                             | <b>2014</b>                           | <b>2015</b> |
| Trade payable turnover days ( <i>Note</i> ) | 180                                   | 113         |

*Note:* Trade payable turnover days equals average balance of trade payables divided by subcontracting and materials costs for the relevant year multiplied by the number of days in the relevant year. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year divided by two.

Trade payables turnover days for the years ended 31 December 2014 and 2015 were 180 days and 113 days respectively. The significantly shorter trade payable turnover days for 2015 was primarily attributable to payments made to subcontractors near the year end of 2015 when compared to 2014.

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As at the Latest Practicable Date, approximately 83.9% of the trade payables as at 31 December 2015 were subsequently settled by our Group.

### *Other payables*

Other payables mainly included accrual for subcontracting costs and office expenses. Accrual for subcontracting costs arise when subcontracting costs are incurred before the issuance of corresponding invoices to us by suppliers.

During the Track Record Period, we had not experienced material defaults in payment of our trade and other payables.

### **Current income tax liabilities**

The current income tax liabilities of our Group was approximately HK\$0.2 million and HK\$2.4 million as at 31 December 2014 and 2015 respectively. The increase in current income tax liabilities was mainly due to the increased income tax expenses for the year ended 31 December 2015, which would be subsequently settled in 2016.

### **SELECTED FINANCIAL RATIOS DISCUSSION**

The following table sets forth certain financial ratios for the Track Record Period:

|                                        | <b>For the year ended 31 December</b> |             |
|----------------------------------------|---------------------------------------|-------------|
|                                        | <b>2014</b>                           | <b>2015</b> |
| Direct margin <sup>(1)</sup>           | 31%                                   | 34%         |
| Net profit margin <sup>(2)</sup>       | 12%                                   | 18%         |
| Operating profit margin <sup>(3)</sup> | 14%                                   | 22%         |
| Current ratio <sup>(4)</sup>           | 1.29                                  | 1.69        |
| Quick ratio <sup>(5)</sup>             | 1.29                                  | 1.69        |
| Gearing ratio <sup>(6)</sup>           | N/A                                   | N/A         |
| Debt to equity ratio <sup>(7)</sup>    | N/A                                   | N/A         |
| Return on total assets <sup>(8)</sup>  | 20%                                   | 37%         |
| Return on total equity <sup>(9)</sup>  | 76%                                   | 87%         |

#### *Notes:*

1. Direct margin equals to revenue less subcontracting and materials costs for the year, then divided by revenue for the year multiplied by 100%.
2. Net profit margin equals to profit attributable to owners of our Company for the year divided by revenue for the year multiplied by 100%.
3. Operating profit margin equals to operating profit for the year divided by revenue for the year multiplied by 100%.

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4. Current ratio equals to total current assets divided by total current liabilities as at the end of each reporting period.
5. Quick ratio equals to total current assets less inventories divided by total current liabilities as at the end of each reporting period (our Group did not have any inventories as at 31 December 2014 and 31 December 2015).
6. Gearing ratio equals to interest-bearing liabilities divided by total equity as at the end of each reporting period.
7. Debt to equity equals to net debt (all borrowings net of cash and cash equivalents) divided by total equity as at the end of each reporting period.
8. Return on total assets equals profit attributable to owners of our Company for the year divided by the closing balance of total assets multiplied by 100%.
9. Return on total equity equals profit attributable to owners of our Company for the year divided by the closing balance of total equity multiplied by 100%.

### **Direct margin**

The direct margin increased from approximately 31% for the year ended 31 December 2014 to approximately 34% for the year ended 31 December 2015 mainly due to the commercial projects and the design-only projects carried out in 2015 which earned higher direct margin %.

### **Net profit margin/Operating profit margin**

The net profit margin and operating profit margin increased from approximately 12% and 14% respectively for the year ended 31 December 2014 to approximately 18% and 22% respectively for the year ended 31 December 2015 mainly due to the increase in direct margin in 2015, which effect was partially set-off by the increase in other expenses.

### **Current ratio/Quick ratio**

The current ratio and quick ratio increased from approximately 1.29 for the year ended 31 December 2014 to approximately 1.69 for the year ended 31 December 2015 mainly due to the increase in trade and other receivables as at 31 December 2015, while the current liabilities remained roughly stable from the year ended 31 December 2014.

### **Gearing ratio/Debt to equity ratio**

Our Group did not have any borrowings during the Track Record Period, hence, no gearing and debt to equity ratio is formulated for our Group for the years ended 31 December 2014 and 2015.

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### **Return on total assets/Return on total equity**

The return on total assets and return on total equity increased from approximately 20% and 76% respectively for the year ended 31 December 2014 to approximately 37% and 87% respectively for the year ended 31 December 2015 mainly due to the increased net profit for 2015.

### **INDEBTEDNESS**

#### **Borrowings**

As at 31 December 2014 and 2015 and 30 April 2016 (being the latest practicable date for the preparation of this indebtedness statement in this prospectus), our Group had no outstanding borrowings nor any other indebtedness.

Our Directors have confirmed that our Group has not had any material delay or default in payment with regards to any borrowings during the Track Record Period and up to the Latest Practicable Date.

#### **Banking facilities**

As at 31 December 2014 and 2015 and 30 April 2016, our Group did not have any utilised or unutilised banking facilities.

Our Group did not obtain any banking facilities during the Track Record Period. Our Directors confirm that our Group did not experience any difficulty in obtaining credit facilities or withdrawal of facilities during the Track Record Period and up to the Latest Practicable Date. To the best knowledge and belief of our Directors, our Group will not have difficulties in obtaining new banking facilities or renewing banking facilities after the Listing.

As at the Latest Practicable Date, our Group did not have any utilised or unutilised banking facilities.

#### **Contingent liabilities**

As at 31 December 2014 and 2015 and 30 April 2016, we had no contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition.

#### **Disclaimer**

Save as disclosed above, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchases commitments, guarantees or other material contingent liabilities as at 30 April 2016, being the latest practicable date for the preparation of this indebtedness statement in this prospectus.

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Save as disclosed above, our Directors confirm that, up to the Latest Practicable Date, there had been no material change in indebtedness and contingent liabilities of our Group since 30 April 2016, being the latest practicable date for determining our indebtedness. Our Directors further confirm that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after the Listing.

### OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or any other off-balance sheet arrangements. We do not engage in trading activities involving non-exchange trade contracts.

### CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of purchase of property, plant and equipment, such as computers and office furnitures. Our capital expenditure was funded by internal resources during the Track Record Period. The following table sets forth our Group's capital expenditure as at the dates indicated:

|                               | As at 31 December |          |
|-------------------------------|-------------------|----------|
|                               | 2014              | 2015     |
|                               | HK\$'000          | HK\$'000 |
| Property, plant and equipment | 179               | 20       |

### CONTRACTUAL COMMITMENTS

#### Operating lease commitments

As at 31 December 2014 and 2015, our Group did not have any significant operating lease commitments.

### WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, after due and careful inquiry and taking into consideration the financial resources presently available to us and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

### RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into certain related party transactions, and the details of which are disclosed in note 26 to the Accountant's Report as set out in Appendix I to this prospectus. Our Directors are of the view that the related party transactions were conducted on

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arm's length basis, and would not distort our results of operations during the Track Record Period or cause our historical results over the Track Record Period not reflective of our expectations for our future performance.

### **LISTING EXPENSES**

We expect that our total listing expenses, which are non-recurring in nature, will amount to approximately HK\$20.0 million, of which approximately HK\$6.3 million is directly attributable to the issue of new Shares in the Listing and to be accounted for as a deduction from equity upon completion of Share Offer in the year ending 31 December 2016. The remaining estimated listing expenses of approximately HK\$13.7 million will be charged to the combined statements of comprehensive income for the year ending 31 December 2016.

Accordingly, the financial results of our Group for the year ending 31 December 2016 are expected to be materially affected by the estimated expenses in relation to the Listing. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised in the combined statements of comprehensive income of our Group for the year ending 31 December 2016 is subject to adjustment based on the then changes in variables and assumptions.

### **FINANCIAL RISKS**

Our Group's activities expose it to a variety of financial risks such as foreign exchange risk, credit risk, and liquidity risk, in our normal course of business. Our Directors manage and monitor our exposure to such risks to ensure that appropriate measures are implemented on a timely and effective manner.

#### **Foreign exchange risk**

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect our Group's financial results and our cash flows.

The management considers that our Group is not exposed to significant foreign currency risk as majority of our transactions are denominated in HK\$ (the functional currency of our Group) and there were only insignificant balances of financial assets and liabilities denominated in foreign currency at the end of the reporting period.

Our Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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### **Credit risk**

Credit risk of our Group mainly arises from trade receivables, deposits with a bank, as well as credit exposures to customers such as amounts due from related party and directors and other receivables. The carrying amounts of these balances in the combined balance sheet represent our Group's maximum exposure to credit risk in relation to its financial assets.

Majority of our Group's bank deposits are placed in those banks which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks as they have no default history in the past.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. Our Group has policies in place to ensure credit terms are granted to reliable debtors. Our Group's historical experience in collection of receivables falls within recorded allowance and our Directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents.

Our Group's primary cash requirements have been for additions of property, plant and equipment, and payment for purchases, operating expenses and dividend. Our Group mainly finances our working capital requirements through internal resources. Our Group monitors and maintains a level of cash and cash equivalents considered adequate by our Directors to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

### **DIVIDEND POLICY**

Our Company currently does not have a dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare and pay any dividend would require the approval of our Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval.

No dividend has been paid or declared by our Company since incorporation on 1 February 2016.

Dividends during the years ended 31 December 2014 and 2015 represented dividends declared by a company now comprising our Group to the then equity holders of our Company for the years ended 31 December 2014 and 2015. Our Group financed the payment of such dividend by our available cash and cash equivalents on hand prior to the Listing.

Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that we may consider relevant, and is subject to our discretion. The dividend distribution record in the past may not be used as a reference or basis to determine the level of

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dividends that may be declared or paid by the Board in the future. The Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

### DISTRIBUTABLE RESERVES

As at 31 December 2015, our Company did not have any distributable reserve available for distribution to Shareholders.

### SUSTAINABILITY OF OUR GROUP'S BUSINESS

We consider the recent downturn of the economy and property market in Hong Kong may pose challenging business environment to all business sectors in general. According to Euromonitor Report, the overall outlook for the office interior design services industry of Hong Kong remains positive despite the prevailing economic situation. Given the economic downturn, companies will be motivated to look for ways to cut costs such as office restructuring with more space utilisation or even downsizing their offices. Our Directors are of the view that such economic situation will not negatively affect our Group's business but instead benefit the interior design industry. Our Directors are positive of the future prospect with the interior design industry and also believe that our Group's business will remain sustainable into the foreseeable future for the reasons set out below.

#### **We have demonstrated our ability to grow our business in the midst of prevailing difficult business environment**

Notwithstanding the previous downturn of the economy and property market in Hong Kong due to the outbreak of Severe Acute Respiratory Syndrome ("SARS") during 2002 and 2003 and the financial crisis during 2007 and 2008, AL Design was able to show a stable or growing trend in revenue and remained profitable over these periods (the "Periods"). During the SARS period, the audited revenue of AL Design for the years ended 31 December 2002 and 2003 was approximately HK\$14.5 million and HK\$21.4 million respectively. During the financial crisis in 2007 to 2008, AL Design had also recorded an audited revenue of approximately HK\$45.5 million and HK\$42.0 million for the years ended 31 December 2007 and 2008 respectively. Comparing the Periods and the Track Record Period, our Group's business operations remained the same as interior design and fit out services and the vast majority of revenue was contributed from office projects. During the Track Record Period, the majority of our backlog was built after March each year and the total contract sum of projects awarded by our customers (excluding those relating to maintenance and aftersales services) during the periods from 1 January to 19 May in years 2014, 2015 and 2016 was approximately HK\$2.7 million, HK\$28.7 million and HK\$40.3 million respectively. This shows a general trend of growth of our backlog over the Track Record Period. Both of our turnover and direct margins for the year also showed a growth during the Track Record Period. For further details of our financial results during the Track Record Period, please refer to the Accountant's Report set out in Appendix I to this prospectus. Our Directors consider that we have demonstrated our ability to grow our business and have proven our capacity to thrive and prosper in the midst of

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prevailing difficult business environment. With our proven track record during the Periods and our ability to remain profitable despite the challenging business environment, our Directors believe that our business will remain profitable and sustainable and stand to further our profits as and when the overall business environment improves.

### **Positive outlook for the office interior design services market in Hong Kong**

According to Euromonitor Report, the overall outlook for the office interior design services industry of Hong Kong remains positive despite the slower economy. Given the economic downturn, it is expected that companies will continue to restructure and downsize offices. Our Directors believe that this will benefit our Group's business with more companies being motivated to restructure their offices and to seek more efficient utilisation of office space. We have been engaged by customers for our design and fit out services to renovate their offices, of which based on our Directors' understanding, were due to their plans of restructuring and/or downsizing their offices.

In addition, although the overall property market in Hong Kong showed signs of slowing down, the office property market, in terms of office space completed, moved in the opposite direction according to Euromonitor Report. The completion spaces of private offices are forecasted to grow from 165,000 square meters in 2015 to 199,000 square meters in 2016 and further to 232,000 square meters in 2017, representing an overall growth at a CAGR of approximately 18.6% from 2015 to 2017. According to Euromonitor Report, the development of private offices is mainly located in the Kowloon side and Kwun Tung area where a growing number of industrial buildings are being converted to office spaces with cheaper rent. Our Directors believe that the cheaper rent of these private offices will also motivate companies to relocate to the decentralised locations in the Kowloon side and Kwun Tung area. Such relocation will also likely bring in more demand for interior design and fit out services. We have been engaged by customers for our design services to renovate their new offices due to their office relocation from areas such as Wanchai, Quarry Bay and North Point with higher rents to offices in Kowloon Bay, Tsim Sha Tsui and Cheung Sha Wan. Our Directors are of the view that the overall growth in the completion spaces of private offices will positively stimulate the growth of interior design industry in Hong Kong and our Group's business will remain sustainable into the foreseeable future.

Although there will be costs to the companies that choose to restructure or relocate their offices such as the cost of renovation of new office and reinstatement of existing office, our Directors believe that these costs are likely to be one-off in nature and the long-term benefits of more efficient utilisation of office space and cheaper office rent will likely motivate the companies to pursue such office restructuring and/or relocation exercise. Our Group has been engaged by some customers for our design services to renovate their offices, of which based on our Directors' understanding, were due to their plans of office restructuring and/or downsizing and their plans to relocate offices from areas with higher rents. Accordingly, based on our long operating history, our Directors are positive of the future prospects with the interior design industry and the sustainability of our Group's business.

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### **Our Directors believe the extension to the movable furniture business segment may diversify our business**

Our future plan and business strategy involve the extension to the movable furniture business segment. According to Euromonitor Report, customers are increasingly paying more attention to the design and the ergonomics of office furniture apart from the functional aspects and fit with the overall corporate profile. Unlike fixed workstations, customers are also seeking the need for furniture for break-out and ideation sessions in their offices and thereby looking for wider range of products offered. According to Euromonitor Report, home furniture sales is also expected to post a steady growth at a CAGR of approximately 4.2% from 2015 to 2017. Customers are expected to be willing to invest in home furniture to improve their lifestyle quality. By expanding our business to include home and office furniture, we could provide a more customised, comprehensive and integrated interior design and fit out solutions to our customers. Our Directors are of the view that the extension will increase opportunities for generating further profit and increasing brand awareness. Furthermore, the office interior design services industry in Hong Kong is expected to maintain a stable and positive outlook according to Euromonitor Report. The customer value spend on office interior design services in Hong Kong is projected to continue to increase at a CAGR of approximately 4.0% over the next three years, reaching approximately HK\$3,175.7 million in 2017. For further information on the industry outlook, please refer to the section headed “Industry Overview” in this prospectus. As such, our Directors believe we will be able to continue to sustain a healthy gross profit margin for the foreseeable future. For further details on our Group’s extension to the movable furniture business segment, please refer to the paragraph headed “Business — Business Strategies” in this prospectus.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2015, being the date of the end of period reported in the Accountant’s Report as set out in Appendix I to this prospectus, up to the Latest Practicable Date.

### **A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

The following unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules, is for illustrative purposes only, and is set out below for the purpose of illustrating the effect of the Share Offer on the financial position of our Group as at 31 December 2015 as if the Share Offer had taken place on 31 December 2015.

This unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 31 December 2015 or at any future dates following the Share Offer. It is prepared based on the combined net assets of our Group as at

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31 December 2015 as set out in the Accountant's Report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

|                                                                         | Audited<br>combined net<br>tangible assets<br>of our Group<br>attributable to the<br>owners of our<br>Company as at<br>31 December 2015 | Estimated<br>net proceeds from<br>the Share Offer | Unaudited<br>pro forma adjusted<br>combined net<br>tangible assets<br>of our Group<br>attributable to the<br>owners of our<br>Company as at<br>31 December 2015 | Unaudited<br>pro forma adjusted<br>combined net<br>tangible assets<br>of our Group<br>attributable to the<br>owners of our<br>Company per Share |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                         | HK\$'000<br>(Note 1)                                                                                                                    | HK\$'000<br>(Note 2)                              | HK\$'000                                                                                                                                                        | HK\$<br>(Note 3)                                                                                                                                |
| Based on the minimum<br>indicative Offer Price of<br>HK\$0.52 per Share | 17,553                                                                                                                                  | 42,665                                            | 60,218                                                                                                                                                          | 0.13                                                                                                                                            |
| Based on the maximum<br>indicative Offer Price of<br>HK\$0.64 per Share | 17,553                                                                                                                                  | 56,632                                            | 74,185                                                                                                                                                          | 0.15                                                                                                                                            |

*Notes:*

- (1) The audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 December 2015 are extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to the owners of our Company as at 31 December 2015 of approximately HK\$17.6 million with no adjustment for intangible assets as our Group does not have any intangible assets.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.52 and HK\$0.64 per Offer Share, being the lower end to higher end of the Offer Price range respectively, after the deduction of total estimated underwriting commissions and fees and other listing related expenses (no listing expenses have been accounted for up to 31 December 2015) paid or payable by our Company, and takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate or under the Share Option Scheme as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company as of 31 December 2015 per Share is determined after the adjustments referred to in the preceding paragraphs and on the basis of 480 million Shares were in issue assuming that the Share Offer has been completed on 31 December 2015, but takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate or under the Share Option Scheme as described in the section headed "Share Capital" in this prospectus.
- (4) No adjustment has been made to reflect any trading or other transactions of our Group entered into subsequent to 31 December 2015. In particular, the unaudited pro forma statement of net tangible assets does not reflect the capital injection of HK\$5.9 million made by our Controlling Shareholders into AL Design in February 2016. If adjusted, the unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company will be HK\$0.14 and HK\$0.17 per Share based on the minimum and maximum indicative Offer Prices of HK\$0.52 and HK\$0.64 per Offer Share respectively.

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### DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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### **FUTURE PLANS**

Please refer to the paragraph headed “Business — Business Strategies” in this prospectus for a detailed description of our future plans.

### **REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS**

Our Directors believe that the listing of the Shares on GEM will strengthen our position as an interior design and fit out solutions provider.

Although our Group’s capital requirement was not extremely intensive given that we were growing steadily and conservatively, as we grow and expand, we receive request for proposals for larger and more complicated projects. Such projects would entail larger amounts of capital as well as more substantive amounts retained for start-up costs such as prepayment of subcontracting fees and material costs.

In light of our Group’s expansion plans set out in the paragraph headed “Implementation Plans” below, the current cash and cash equivalents of our Group do not meet our financing needs and would place undue financial burden on our Group in terms of cashflow if we were to use all the cash on hand for growth purposes. Currently, our Group has no bank borrowings and it is anticipated that such remains to be the case after the Listing as bank borrowing entails the incurrence of additional financial costs as well as the requirement of providing security.

Furthermore, a public listing status on the Stock Exchange will give us access to the capital market for corporate finance exercise which assists us in our future business development, enhances our corporate profile and recognition, enhances the transparency of our Group’s operations and strengthens our competitiveness.

Accordingly, our Directors are of the view that it is necessary and appropriate for our Company to conduct a fund raising exercise to fulfil our business plans and future growth.

Our Directors consider that net proceeds from the Share Offer are crucial for financing our Group’s business strategies. Details of our corporate strategies and business plans are set forth in the paragraph headed “Business — Business Strategies” in this prospectus. Our Directors estimate that the net proceeds from the Share Offer (after deducting estimated expenses of HK\$20 million borne by our Company in connection with the Listing) will be approximately HK\$50 million based on the Offer Price of HK\$0.58 per Offer Share (being the mid-point of the Offer Price range between HK\$0.64 and HK\$0.52 per Offer Share, round to the nearest cent).

## FUTURE PLANS AND USE OF PROCEEDS

It is at present intended that the net proceeds will be applied as follows:

|                                                                                                                                    | From the<br>Latest<br>Practicable<br>Date to<br>31 December<br>2016 | For the<br>six months<br>ending<br>30 June 2017 | For the<br>six months<br>ending<br>31 December<br>2017 | For the<br>six months<br>ending<br>30 June 2018 | Total         | Approximate<br>percentage of<br>total net<br>proceeds |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------|-------------------------------------------------|---------------|-------------------------------------------------------|
|                                                                                                                                    | (HK\$'000)                                                          | (HK\$'000)                                      | (HK\$'000)                                             | (HK\$'000)                                      | (HK\$'000)    |                                                       |
| Recruiting high caliber talents and enhancing company strength ( <i>Note 1</i> )                                                   | 2,950                                                               | 3,060                                           | 3,530                                                  | 3,816                                           | 13,356        | 27%                                                   |
| Developing a new line of business and financing potential business collaboration and/or acquisition of companies ( <i>Note 2</i> ) | 800                                                                 | 8,610                                           | 1,220                                                  | 1,281                                           | 11,911        | 24%                                                   |
| Expanding market coverage ( <i>Note 3</i> )                                                                                        | 3,622                                                               | 1,776                                           | 2,132                                                  | 1,933                                           | 9,463         | 19%                                                   |
| Capturing larger design and fit out projects ( <i>Note 4</i> )                                                                     | 1,500                                                               | 1,500                                           | 1,500                                                  | 1,500                                           | 6,000         | 12%                                                   |
| Increasing the effectiveness of marketing and brand recognition ( <i>Note 5</i> )                                                  | 710                                                                 | 1,200                                           | 1,480                                                  | 880                                             | 4,270         | 8%                                                    |
| General working capital ( <i>Note 6</i> )                                                                                          | 1,250                                                               | 1,250                                           | 1,250                                                  | 1,250                                           | 5,000         | 10%                                                   |
| <b>Total</b>                                                                                                                       | <b>10,832</b>                                                       | <b>17,396</b>                                   | <b>11,112</b>                                          | <b>10,660</b>                                   | <b>50,000</b> | <b>100%</b>                                           |

*Notes:*

1. Approximately HK\$13.4 million, representing approximately 27% of the net proceeds will be used for enhancing our company strength by recruiting high caliber talents and enhancing our information system and design software.
2. Approximately HK\$11.9 million, representing approximately 24% of the net proceeds will be used for developing a new line of business and financing potential business collaboration and/or acquisition of companies, and as at the Latest Practicable Date, we had not identified any suitable investment or acquisition targets.
3. Approximately HK\$9.5 million, representing approximately 19% of the net proceeds will be used for expanding our market coverage through expansion of offices in Hong Kong and the PRC and through joining design related associations.
4. Approximately HK\$6.0 million, representing approximately 12% of the net proceeds will be used for capturing larger design and fit out projects in Hong Kong, which will include payment of start-up costs for new projects such as prepayment of subcontracting and material costs.
5. Approximately HK\$4.3 million, representing approximately 8% of the net proceeds will be used for increasing the effectiveness of marketing and brand recognition.
6. Approximately HK\$5 million, representing approximately 10% of the net proceeds will be used for additional working capital and other general corporate purposes.

If the Offer Price is set at HK\$0.64 per Offer Share (being the high-end of the Offer Price range), the net proceeds from the Share Offer will increase to approximately HK\$57 million.

If the Offer Price is set at HK\$0.52 per Offer Share (being the low-end of the Offer Price range), the net proceeds from the Share Offer will decrease to approximately HK\$43 million.

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## FUTURE PLANS AND USE OF PROCEEDS

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The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Share Offer is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments as permitted by the relevant laws and regulations.

Our Directors consider that the net proceeds from the Share Offer together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in the paragraph headed "Business — Business Strategies" in this prospectus. Following the Listing, as the expected combined contribution from the home and office furniture business is expected not to exceed 10% of our total revenue, our Directors believe that our business performance after the Listing will not be materially distorted by the business extension to the sale of home and office furniture and this extension will be comparable with our business during the Track Record Period.

Furthermore, while the Share Offer will provide financial resources to our Group to achieve our business strategies as set out in the paragraph headed "Business — Business Strategies" in this prospectus, our Directors believe that the Listing would:

- (a) provide a platform for our Group to access to capital markets for future secondary fund raising through the issuance of shares and for debt securities, which could involve lower financing cost as opposed to interest-bearing bank loans, and which can also provide funding source to cater for our Group's further expansion plans (other than those future plans stated in this prospectus) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity;
- (b) enhance market reputation and brand awareness of our Group. Our Directors believe that having a listing status is a complimentary advertising for the Group to potential investors and customers and can enhance its corporate profile and credibility with the public and potential business partners. To further raise the public's awareness of our Group's profile and to set in their minds the brandname of AL Design, our Listing is structured with a public offer tranche;
- (c) diversify the risk of ownership among a larger group of shareholders which is important as our Group continues to expand our business. Our Controlling Shareholder is not selling any Shares as part of the Share Offer and intends to enjoy the growth of our Group alongside our investors in the long run;
- (d) through the Share Offer, improve our Company's ability to recruit, motivate and retain key management personnel as well as to expediently and effectually capitalise on any business opportunities in our Group that may arise;

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## FUTURE PLANS AND USE OF PROCEEDS

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- (e) enable our Company to offer an equity-based incentive program (such as a share option scheme) to our employees that more directly correlates to their performance in our Group's business. Our Company would therefore be in a better position to motivate our employees with incentive programs that are closely aligned with the objective of creating value for the Shareholders;
- (f) through the Share Offer, be beneficial to the Shareholders, because (i) our Company will employ greater flexibility to grow and expand our business free of actual or perceived constraints as a private company; (ii) our Company will enjoy increased ability to make acquisitions, where appropriate, by using our stock as an acquisition currency; and (iii) our Company will be able to further build on our reputation and be in a better position to negotiate and solicit more and large scale businesses; and
- (g) in the future, increase our Group's bargaining power in negotiating terms with potential subcontractors and suppliers. As a listed entity, subcontractors and suppliers will have more confidence in (i) the quality of our products; (ii) our financial strength and credibility; (iii) transparency in operations and financial reporting; and (iv) our internal control systems to regulate and monitor our operations.

### **Business Objective**

Our business objective is to leverage on our competitive advantages to expand our operation scale and increase our profit so as to strengthen our market position in interior design and fit out industry.

### **Business Strategies**

For a detailed description of our business objectives and strategies, please refer to the paragraph headed "Business — Business Strategies" in this prospectus.

### **IMPLEMENTATION PLANS**

In pursuance of the business objectives set forth above, the implementation plans of our Group are set forth below for each of the six-month periods until 30 June 2018. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed "Bases and Assumptions" below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

### **Extension to the movable furniture business segment**

Furniture can generally be categorised into two types: (i) built-in furniture — immovable furniture which are affixed or attached to any property and (ii) movable furniture — furniture which are not affixed or attached to any property. As part of our design and fit out services, we will also

## FUTURE PLANS AND USE OF PROCEEDS

design and procure a broad spectrum of tailor-made built-in furniture for our projects. For movable furniture, we will not be involved in the furniture design and will normally assist with sourcing only. Our Directors believe that our success is built on our expertise and technical know-hows on tailor-made built-in furniture which can greatly enhance the overall quality of the design. One of our goals is to venture into movable furniture business to complement our core business of interior design and fit out. In the future, we intend to extend our core business to movable furniture design in both home and office segments.

To achieve this, we intend to apply approximately HK\$11.9 million from our net proceeds (i) to develop home furniture business (the “**Home Furniture Business**”) by extending our existing furniture design services, being part of our interior design and fit out services, and setting up a new home furniture design team to include movable home furniture design and creating and building our own brand of home furniture; and (ii) to develop office furniture business (the “**Office Furniture Business**”) by investing or acquiring small to medium scaled companies with a stable source of furniture manufacturers and have its own office furniture brands. We will retain the existing management and key staff including design and operational staff of these companies to utilise their expertise and technical know-hows in design and production of movable office furniture. With the Home Furniture Business and Office Furniture Business, our Company will be able to design our own brand of movable home or office furniture for our customers’ selection and produce on a make-to-order basis. The following table shows the intended breakdown of our investment in such business and the development schedule of our plan:

|                                                                                   | From the<br>Latest<br>Practicable<br>Date to<br>31 December<br>2016<br>(HK\$) | For the<br>six months<br>ending<br>30 June 2017<br>(HK\$) | For the<br>six months<br>ending<br>31 December<br>2017<br>(HK\$) | For the<br>six months<br>ending 30<br>June 2018<br>(HK\$) | Total<br>(HK\$)   |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------|-------------------|
| <b>Extension to the movable furniture business segment</b>                        |                                                                               |                                                           |                                                                  |                                                           |                   |
| — <b>Home Furniture Business</b>                                                  | 300,000                                                                       | 3,610,000                                                 | 1,220,000                                                        | 1,281,000                                                 | 6,411,000         |
| <b>Breakdown as follows:</b>                                                      |                                                                               |                                                           |                                                                  |                                                           |                   |
| — <i>Showroom/Workshop Rental</i>                                                 | —                                                                             | 450,000                                                   | 450,000                                                          | 472,500                                                   | 1,372,500         |
| — <i>Renovation</i>                                                               | —                                                                             | 2,000,000                                                 | —                                                                | —                                                         | 2,000,000         |
| — <i>Furniture Samples</i>                                                        | —                                                                             | 500,000                                                   | 110,000                                                          | 115,500                                                   | 725,500           |
| — <i>Staff Cost/Labour Cost</i>                                                   | —                                                                             | 600,000                                                   | 600,000                                                          | 630,000                                                   | 1,830,000         |
| — <i>Operating Expense</i>                                                        | —                                                                             | 60,000                                                    | 60,000                                                           | 63,000                                                    | 183,000           |
| — <i>Miscellaneous Cost</i><br><i>(entertainment, marketing, travelling, etc)</i> | 300,000                                                                       | —                                                         | —                                                                | —                                                         | 300,000           |
| — <b>Office Furniture Business</b>                                                | 500,000                                                                       | 5,000,000                                                 | —                                                                | —                                                         | 5,500,000         |
| <b>Breakdown as follows:</b>                                                      |                                                                               |                                                           |                                                                  |                                                           |                   |
| — <i>Investment/Acquisition</i>                                                   | —                                                                             | 5,000,000                                                 | —                                                                | —                                                         | 5,000,000         |
| — <i>Miscellaneous Cost</i><br><i>(entertainment, marketing, travelling, etc)</i> | 500,000                                                                       | —                                                         | —                                                                | —                                                         | 500,000           |
| <b>Total</b>                                                                      | <b>800,000</b>                                                                | <b>8,610,000</b>                                          | <b>1,220,000</b>                                                 | <b>1,281,000</b>                                          | <b>11,911,000</b> |

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## FUTURE PLANS AND USE OF PROCEEDS

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Set out below is a summary of the various aspects of the Home Furniture Business and the Office Furniture Business (the “**Business Extension**”):

|                              |                                                                                                                                                                                                                                                                                             | <b>Business Extension</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                  |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
|                              |                                                                                                                                                                                                                                                                                             | <b>Home Furniture Business</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Office Furniture Business</b> |
| Method of Business Extension | <ul style="list-style-type: none"> <li>● By way of setting up a new home furniture design team specialised in movable home furniture</li> <li>● Our Directors believe that we possess the requisite knowledge and experience to design and produce our own home furniture brands</li> </ul> | <ul style="list-style-type: none"> <li>● By way of investment / acquisition of small to medium scaled companies with a stable source of furniture manufacturers and own office furniture brands specialised in movable office furniture</li> <li>● We aim to retain the existing management and key staff including design and operational staff of the acquired companies to utilise their knowledge and experience to develop the Office Furniture Business</li> <li>● As at the Latest Practicable Date, we had not identified suitable investment or acquisition targets</li> </ul> |                                  |
| Operation                    | <ul style="list-style-type: none"> <li>● We intend to develop and produce our own home and office brands designed by our in-house home furniture design team and office furniture design team of the acquired companies</li> </ul>                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                  |

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## FUTURE PLANS AND USE OF PROCEEDS

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| Business Extension |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                    | <div style="display: flex; justify-content: space-between;"> <div style="width: 48%; text-align: center;">Home Furniture Business</div> <div style="width: 4%;"></div> <div style="width: 48%; text-align: center;">Office Furniture Business</div> </div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                    | <div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <ul style="list-style-type: none"> <li>● We will engage our approved list of furniture subcontractors to produce our furniture. As we have an average of over six years of working relationship with our approved list of furniture subcontractors and these subcontractors also have proven record of providing quality services to us, we believe that we have the ability to ensure that the furniture produced by them will meet our required quality and standard</li> <li>● Our home and office furniture will only be produced on make-to-order basis, based on our Group's available movable home/office furniture designs, and as such, we do not expect to have significant inventory level</li> </ul> </div> <div style="width: 4%;"></div> <div style="width: 48%;"> <ul style="list-style-type: none"> <li>● We will engage office furniture manufacturers used by the acquired companies as our Company is of the view that, unlike home furniture, office furniture is a specialised area and requires manufacturers who possess the requisite expertise and experience on manufacturing office furniture in order to provide the necessary quality and standard</li> </ul> </div> </div> |
| Target Customers   | <div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <ul style="list-style-type: none"> <li>● Our existing customers who engage us for residential projects</li> <li>● Interior design firms and architectural firms who source home furniture for their customers</li> <li>● Individual end users who source home furniture for themselves without engaging interior design and fit out services</li> </ul> </div> <div style="width: 4%;"></div> <div style="width: 48%;"> <ul style="list-style-type: none"> <li>● Our existing customers who engage us for office projects</li> <li>● Interior design firms and architectural firms who source office furniture for their customers</li> <li>● Corporate end users who source office furniture for themselves without engaging interior design and fit out services</li> </ul> </div> </div>                                                                                                                                                                                                                                                                                                                                                                                                              |
| Marketing          | <ul style="list-style-type: none"> <li>● We plan to source potential customers, including our existing customers, through various social media</li> <li>● Through HKIDA, we will be able to approach different interior design firms and architectural firms</li> <li>● We will establish a showroom to display our home and office furniture samples to our potential customers so that they can view the sample of the final products of our design before making an order. We will also allow our customers to make changes to the final product so as to deliver a tailor-made furniture to our customers</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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## FUTURE PLANS AND USE OF PROCEEDS

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|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Business Extension      |                           |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------|
|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Home Furniture Business | Office Furniture Business |
| Expected Revenue Contribution, Cash Flow and Profit Margin | <ul style="list-style-type: none"> <li>● We expect that revenue to be contributed from the Business Extension from the sale of home and office furniture will not exceed 10% of our Group's yearly revenue with profit margin comparable to our current level during the Track Record Period</li> <li>● The Business Extension is not expected to have significant impact to our overall profit margin as we expect the Business Extension will earn a profit margin comparable to our current level during the Track Record Period at around 30%, based on our prior experience in designing built-in furniture as part of our design and fit out services for our customers and producing them through our furniture subcontractors. Also, the Business Extension is not expected to have significant impact to our cash flow, other than the use of net proceeds as mentioned above. As the furniture products will be produced on make-to-order basis, we do not expect to maintain a significant inventory level, and we do not expect to grant any credit terms for customers</li> </ul>                      |                         |                           |
| Expected Benefits                                          | <ul style="list-style-type: none"> <li>● Other than the direct benefits from the expected revenue to be generated from the Business Extension, our Directors consider the Business Extension to be complementary to our existing core business as this strategy can better streamline our current business model. Through the Business Extension, our Company can further seek new opportunities through the marketing synergies which are expected to be appealing to a new group of customers. AL Design will introduce customers who are sourcing furniture to the Business Extension and vice versa, the Business Extension will also introduce customers who may need design and fit out services to AL Design in the future</li> <li>● Our Company can produce our own furniture and will be able to achieve better quality control as we will be directly selecting our furniture manufacturers</li> <li>● We will be able to produce our own brand of furniture and will not be restricted to only be able to source home and office furniture from other furniture manufacturers or wholesalers</li> </ul> |                         |                           |

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## FUTURE PLANS AND USE OF PROCEEDS

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### Business Extension

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#### Home Furniture Business

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#### Office Furniture Business

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- Competition
- It is our Directors' view that there is no competition between the Business Extension and our existing interior design and fit out business given that, (i) the development and production of movable furniture is not part of our Company's existing business; and (ii) the Business Extension is considered to be complementary to our existing core business. With the Business Extension, our Company will be able to produce our own brand of furniture and will not be restricted to being only able to source movable furniture for our customers from other third-party furniture manufacturers or wholesalers

Notwithstanding our focus on the office segment, we continue to capture residential design and fit-out projects during the Track Record Period and thereafter. Besides, as indicated in the section headed "Industry Overview" in this prospectus, the home furniture market is expected to enjoy a stable growth in the foreseeable future. In view of the above, we consider that extending our business into home furniture will further improve our service to the residential customers by providing our own-branded furniture to compliment the design and fit-out projects, as well as to capture the market growth in the home furniture sector.

### Quality control for Home Furniture Business

To ensure the quality of our Home Furniture Business, we will conduct the following:

**Design** — our design team will obtain information relating to latest market trend on home furniture design by attending home furniture fairs and making reference to interior design journals. Our furniture design drawings will be critically assessed internally by our design team and discussed externally with our furniture subcontractors to ensure a good balance of styling and usability before commencing production.

**Subcontractors** — Our home furniture will be produced by our approved furniture subcontractors with an average of over six years of working relationship and proven records of providing quality services to us. When selecting among the approved furniture subcontractors for producing particular furniture items, we will consider the experience and product portfolio of the subcontractor to ensure that the furniture can be produced in an efficient manner in terms of time and cost.

**Production** — Our design team will work closely with our approved furniture subcontractors during the course of production to ensure that our furniture is produced with our design drawing and other requirements to our specifications. We will also recruit staff with experience in the home furniture industry to ensure the quality of our home furniture products displayed in our showroom or delivered to customers and to give new ideas, insight and novel perspectives to our products.

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## FUTURE PLANS AND USE OF PROCEEDS

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For the period from the Latest Practicable Date to 31 December 2016

| Purposes                                                       | Activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recruiting high caliber talents and enhancing company strength | <ul style="list-style-type: none"><li>• Aim to recruit a total of 15 high caliber talents including six designers, one senior project manager, one design manager, two general staff for project management, three for finance and administration and two for sales and marketing, so as to raise our standard and quality of services</li><li>• organise regular internal trainings and seminars for our staff with a focus on design, project management and sales and marketing in order to support our Group's future growth</li><li>• continue to retain high caliber talents by offering competitive compensation packages, including bonus programmes, performance incentives, company trips, education, medical coverage and training allowances</li><li>• enhance our information system and design software by purchasing accounting system to improve our financial analysis and up-to-date design software to enhance our design quality and capability</li></ul> |

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## FUTURE PLANS AND USE OF PROCEEDS

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| <u>Purposes</u>                                                                                                  | <u>Activities</u>                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing a new line of business and financing potential business collaboration and/or acquisition of companies | <ul style="list-style-type: none"> <li>consider opportunities to extend to the movable furniture business segment</li> </ul>                                                                                                                                                                   |
| Expanding market coverage                                                                                        | <ul style="list-style-type: none"> <li>expand our industry network coverage by joining design-related international or regional associations and by participating in interior design exhibitions and competitions</li> <li>further expand and relocate our office in Hong Kong</li> </ul>      |
| Capturing larger design and fit out projects                                                                     | <ul style="list-style-type: none"> <li>capture larger design and fit out projects in Hong Kong which includes payment of start-up costs for new projects such as prepayment of subcontracting and material costs</li> </ul>                                                                    |
| Increasing the effectiveness of marketing and brand recognition                                                  | <ul style="list-style-type: none"> <li>hold marketing and promotional campaigns such as design award presentation, brochure design and printing</li> <li>promote through advertising, designing and preparing company brochure and marketing materials to build our corporate image</li> </ul> |

### For the six months ending 30 June 2017

| <u>Purposes</u>                                                | <u>Activities</u>                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recruiting high caliber talents and enhancing company strength | <ul style="list-style-type: none"> <li>continue to retain high caliber talents and organise regular internal trainings and seminars for our staff</li> <li>continue to offer competitive compensation packages</li> <li>expand our business in the commercial and residential segments</li> <li>expand our technical know-hows to other segments and recruit two personnel with experience in commercial segment and two for residential segment</li> </ul> |

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## FUTURE PLANS AND USE OF PROCEEDS

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| Purposes                                                                                                         | Activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing a new line of business and financing potential business collaboration and/or acquisition of companies | <ul style="list-style-type: none"><li>● extend to the movable furniture business segment</li><li>● create and develop our own home furniture brands by our design team</li><li>● invest in/acquire an office furniture business and retain its existing management to utilise their expertise and technical know-hows</li></ul>                                                                                                                                                                          |
| Expanding market coverage                                                                                        | <ul style="list-style-type: none"><li>● manage the office in Hong Kong</li><li>● establish a representative office in Shanghai by 30 June 2017 to promote our brand</li><li>● continue to participate in interior design exhibitions and competitions</li></ul>                                                                                                                                                                                                                                          |
| Capturing larger design and fit out projects                                                                     | <ul style="list-style-type: none"><li>● capturing larger design and fit out projects in Hong Kong which includes payment of start-up costs for new projects such as prepayment of subcontracting and material costs</li></ul>                                                                                                                                                                                                                                                                            |
| Increasing the effectiveness of marketing and brand recognition                                                  | <ul style="list-style-type: none"><li>● hold marketing and promotional campaigns such as design award presentation, brochure design and printing as well as project introduction and presentation to property agencies by building show flat</li><li>● continue to promote through advertising, designing and preparing company brochure and marketing materials to build our corporate image</li><li>● attend industry-related exhibitions to promote our brand and enhance our company image</li></ul> |

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## FUTURE PLANS AND USE OF PROCEEDS

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**For the six months ending 31 December 2017**

| Purposes                                                                                                         | Activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recruiting high caliber talents and enhancing company strength                                                   | <ul style="list-style-type: none"> <li>• continue to retain high caliber talents and organise regular internal trainings and seminars for our staff</li> <li>• continue to offer competitive compensation packages</li> <li>• aim to recruit one personnel with experience in commercial segment and one for residential segment</li> </ul>                                                                                                                                                                                              |
| Developing a new line of business and financing potential business collaboration and/or acquisition of companies | <ul style="list-style-type: none"> <li>• manage the Home Furniture Business and Office Furniture Business</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Expanding market coverage                                                                                        | <ul style="list-style-type: none"> <li>• continue to seek opportunities in joining design-related associations and participating in interior design exhibitions and competitions</li> <li>• further expand our office in Hong Kong</li> <li>• manage the representative office in Shanghai</li> </ul>                                                                                                                                                                                                                                    |
| Capturing larger design and fit out projects                                                                     | <ul style="list-style-type: none"> <li>• capturing larger design and fit out projects in Hong Kong which includes payment of start-up costs for new projects such as prepayment of subcontracting and material costs</li> </ul>                                                                                                                                                                                                                                                                                                          |
| Increasing the effectiveness of marketing and brand recognition                                                  | <ul style="list-style-type: none"> <li>• continue to hold marketing and promotional campaigns such as design award presentation, brochure design and printing as well as project introduction and presentation to property agencies by managing the show flat</li> <li>• continue to promote through advertising, designing and preparing company brochure and marketing materials to build our corporate image</li> <li>• continue to attend industry-related exhibitions to promote our brand and enhance our company image</li> </ul> |

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## FUTURE PLANS AND USE OF PROCEEDS

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**For the six months ending 30 June 2018**

| Purposes                                                                                                         | Activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recruiting high caliber talents and enhancing company strength                                                   | <ul style="list-style-type: none"><li>• continue to retain more high caliber talents and organise regular internal trainings and seminars for our staff</li><li>• continue to offer competitive compensation packages</li><li>• continue to recruit one personnel with experience in commercial segment and one for residential segment</li></ul>                                                                                                                                                                                    |
| Developing a new line of business and financing potential business collaboration and/or acquisition of companies | <ul style="list-style-type: none"><li>• continue to manage the Home Furniture Business and Office Furniture Business</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                       |
| Expanding market coverage                                                                                        | <ul style="list-style-type: none"><li>• continue to participate in interior design exhibitions and competitions</li><li>• continue to manage the office in Hong Kong and the representative office in Shanghai</li></ul>                                                                                                                                                                                                                                                                                                             |
| Capturing larger design and fit out projects                                                                     | <ul style="list-style-type: none"><li>• capturing larger design and fit out projects in Hong Kong which includes payment of start-up costs for new projects such as prepayment of subcontracting and material costs</li></ul>                                                                                                                                                                                                                                                                                                        |
| Increasing the effectiveness of marketing and brand recognition                                                  | <ul style="list-style-type: none"><li>• continue to hold marketing and promotional campaigns such as design award presentation, brochure design and printing as well as project introduction and presentation to property agencies by managing the show flat</li><li>• continue to promote through advertising, designing and preparing company brochure and marketing materials to build our corporate image</li><li>• continue to attend industry-related exhibitions to promote our brand and enhance our company image</li></ul> |

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## FUTURE PLANS AND USE OF PROCEEDS

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### BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the future plans from the Latest Practicable Date up to 30 June 2018:

- (a) there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong, or in any other places in which any member of our Group carries on its business or will carry on its business;
- (b) our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives related;
- (c) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate;
- (d) there will be no material changes in legislation or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- (e) there will be no significant changes in our Group's business relationship with its existing strategic and business partners;
- (f) there will be no significant changes in our Group's business relationship with its major customers and suppliers;
- (g) there will be no material changes in the funding required for each of the scheduled achievements as outlined in the paragraph headed "Implementation Plans" in this section; and
- (h) our Group will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this prospectus.

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## UNDERWRITING

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### THE PUBLIC OFFER UNDERWRITERS

#### Joint Bookrunners and Joint Lead Managers

VBG Capital Limited  
Pacific Foundation Securities Limited

#### Underwriters

VBG Capital Limited  
Pacific Foundation Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### The Public Offer

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

### *Grounds for termination*

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. PFS (for itself and on behalf of the Public Offer Underwriters) has the right, in its sole and absolute discretion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to our Company, if it sees fit upon the occurrence of any of the following events:

- (A) there shall develop, occur, exist or come into effect:
- (1) any change or prospective change (whether or not permanent) in the business or in the earnings, operations, financial or trading position or prospects of our Group or any change in capital stock or long-term debt of our Company or any other member of our Group, which (in any such case) is not set forth or contemplated in this prospectus; or
  - (2) any change or development involving a prospective change or development, or any event or series of events resulting or representing or may result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, BVI, the Cayman Islands, the United States of America, Canada, the United Kingdom, any member of the European Union, Singapore, Japan or any other jurisdictions where any member of our Group is incorporated (collectively, the “**Relevant Jurisdictions**”); or
  - (3) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
  - (4) any new law or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
  - (5) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or

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## UNDERWRITING

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- (6) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (7) any event, act or omission which gives rise to or may give rise to any material liability of any of our Company, our executive Directors and our Controlling Shareholders pursuant to the Public Offer Underwriting Agreement; or
- (8) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or any other major international stock exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (9) the imposition of economic, political or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (10) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, drought, flooding, severe snow or hail storms, explosion, earthquake, hurricanes, tornadoes, volcanic eruption, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, radiation or chemical contaminations, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (11) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (12) any change in the system under which the value of the HK dollar or is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollars against any foreign currency; or
- (13) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

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## UNDERWRITING

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- (14) save as disclosed in this prospectus, a contravention by any member of our Group of the GEM Listing Rules or applicable laws; or
- (15) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares pursuant to the terms of the Share Offer; or
- (16) non-compliance of any statement or disclosure of this prospectus or any aspect of the Public Offer with the GEM Listing Rules or any other applicable law; or
- (17) other than with the prior approval of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies (WUMP) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (18) an order being made or a petition being presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (19) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (20) a Director being charged with an indictable offence or prohibited by operation of law or is otherwise disqualified from being a director or taking part in the management of a company; or
- (21) the chairman or chief executive officer or financial controller of our Company vacating his office; or
- (22) the commencement by any governmental, regulatory, political or judicial body or organisation of any action against a Director or any member of our Group or an announcement by any governmental, regulatory, political or judicial body or organisation that it intends to take any such action; or
- (23) our Company withdraws any of this prospectus (and/or any other documents used in connection with the contemplated subscription of the Offer Shares); or

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## UNDERWRITING

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- (24) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents (as defined in the Public Offer Underwriting Agreement) and/or any other documents used in connection with the contemplated subscription of the Offer Shares, or to the issue of any such documents,

which, whether individually or in the aggregate, in the sole and absolute opinion of PFS (for itself and on behalf of the Public Offer Underwriters):

- (a) has or will or may have a material adverse effect on the business, financial, trading or other condition or prospects of any member of our Group or our Group taken as a whole and/or to any present or prospective shareholder in its capacity as such; or
  - (b) has or will or may have a material adverse effect on the success of Public Offer, the Placing or the level of Offer Shares being applied for or accepted or the distribution of the Offer Shares; or
  - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any part of the Public Offer Underwriting Agreement, the Placing Agreement and/or the Share Offer to be performed or implemented as envisaged or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer and in the manner contemplated in this prospectus; or
- (B) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (1) any of the warranties or undertakings given by our Company, our executive Directors and/or our Controlling Shareholders under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any respect when given or as repeated as determined by PFS in its sole and absolute discretion or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable; or
  - (2) any statement contained in this prospectus, the formal notice or any announcements issued by our Company in respect of the Public Offer, the Placing and/or the Share Offer was or is untrue, incorrect or misleading in any respect, or any matter arises or is discovered which would, if this prospectus, the formal notice and any announcements issued by our Company in respect of the Public Offer were to be issued at that time, constitute an omission therefrom as determined by PFS in its sole and absolute discretion; or

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## UNDERWRITING

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- (3) any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the formal notice and/or any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) are not fair and honest nor based on reasonable assumptions; or
- (4) there has been a breach on the part of any of our Company, our executive Directors and/or our Controlling Shareholders of any of the provisions of the Public Offer Underwriting Agreement as determined by PFS in its sole and absolute discretion,

then PFS (for itself and on behalf of the Public Offer Underwriters) may in its sole and absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by notice (orally or in writing) to our Company.

### *Undertakings to the Stock Exchange under the GEM Listing Rules*

#### *(A) Undertakings by our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which the Shares commence dealings on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

#### *(B) Undertakings by our Controlling Shareholders*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/she/it shall not and shall procure that the relevant registered holder(s) (if any) shall not:

- (i) save as provided in Rule 13.18 of the GEM Listing Rules, in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, or 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/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 13.16A(2) of the GEM Listing Rules) (the “**Relevant Securities**”); and
- (ii) save as provided in Rule 13.18 of the GEM Listing Rules, in the period of six months commencing from the expiry of the period referred to in paragraph (i) above (the “**Second Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or

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## UNDERWRITING

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enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

In addition, in accordance with Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/she/it will comply with the following requirements:

- (i) in the event that he/she/it pledges or charges any direct or indirect interest in the Relevant Securities in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan 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 First Six-Month Period and the Second Six-Month Period, he/she/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in the Shares under (a) above, he/she/it must inform our Company 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 Shares affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

### ***Undertakings pursuant to the Public Offer Underwriting Agreement***

#### ***(A) Undertakings by our Company***

Except pursuant to the Capitalisation Issue, the Share Offer and the options that may be granted under the Share Option Scheme, during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company has undertaken to the Sole Sponsor, the Joint Bookrunners and the other Public Offer Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and the Sole Sponsor and unless in compliance with the requirements of the GEM Listing Rules:

- (1) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or

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## UNDERWRITING

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- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or
- (3) enter into any transaction with the same economic effect as any transaction specified in (1) or (2) above; or
- (4) offer or agree to do any foregoing transactions and publicly disclose any intention to effect such transaction,

in each case, whether any of the transactions specified above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified above, or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholders undertakes to each of the Joint Bookrunners, the Public Offer Underwriters and the Sole Sponsor to procure our Company to comply with the undertakings above.

(B) *Undertakings by our Controlling Shareholders*

Our Controlling Shareholders have also undertaken to each of our Company, the Joint Bookrunners, the Public Offer Underwriters and the Sole Sponsor that, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and the Sole Sponsor and unless in compliance with the requirements of the GEM Listing Rules:

- (1) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

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## UNDERWRITING

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in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (2) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the GEM Listing Rules) of our Company; and
- (3) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all steps to ensure that it will not create a disorderly or false market in the securities of our Company.

### **The Placing**

#### ***Placing Underwriting Agreement***

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Pursuant to the Placing Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Placing Underwriting Agreement and this prospectus, at the Offer Price. Under the Placing Underwriting Agreement, subject to, among other conditions, (i) the Listing Committee 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 (ii) certain other conditions set out in the Placing Underwriting Agreement, the Placing Underwriters have severally agreed to subscribe for, or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and Expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

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## UNDERWRITING

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It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph “Underwriting Arrangements and Expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

### **Underwriting commission and expenses**

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer, which was negotiated and agreed between the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and our Company on arm’s length basis, out of which they will pay any praecipium, sub-underwriting commissions and selling concessions. The Placing Underwriters are expected to receive similar underwriting commission on the aggregate Offer Price payable for the Placing Shares subject to the terms and conditions of the Placing Underwriting Agreement.

In connection with the Listing, the Sole Sponsor will receive a sponsor’s fee.

In connection with the Listing, the Placing and the Public Offer, the total expenses are estimated to be approximately HK\$20 million, assuming the Offer Price of HK\$0.58 per Offer Share (including underwriting commission amounting to approximately HK\$2.1 million, brokerage, the Stock Exchange trading fee, printing cost and other expenses relating the Placing) which shall be borne by our Company.

### **UNDERWRITERS’ INTERESTS IN OUR COMPANY**

Save for their interests and obligations under the Underwriting Agreements or as otherwise disclosed in this prospectus, none of the Underwriters owns any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares or securities in our Company or any member of our Group.

### **SPONSOR’S INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

The Share Offer comprises:

- (a) the Public Offer of 12,000,000 new Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed “Structure and Conditions of the Share Offer — The Public Offer” in this prospectus; and
- (b) the Placing of an aggregate of 108,000,000 new Shares (subject to reallocation as mentioned below) outside of the United States of America to professional, institutional and individual investors.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Public Offer.

The Offer Shares will represent 25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue without taking into account the exercise of any options which may be granted under the Share Option Scheme.

### THE PUBLIC OFFER

#### Number of Shares initially offered

We are initially offering 12,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Public Offer and the Placing, the Public Offer Shares will represent approximately 2.5% of the total issued share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Public Offer” in this prospectus.

#### Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **Reallocation**

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) if the number of the Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 36,000,000 Offer Shares, representing approximately 30% of the number of the Offer Shares initially available under the Share Offer;
- (b) if the number of the Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of the number of Offer Shares available

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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under the Public Offer will be 48,000,000 Offer Shares, representing approximately 40% of the number of the Offer Shares initially available under the Share Offer; and

- (c) if the number of the Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing approximately 50% of the number of the Offer Shares initially available under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

### **Applications**

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$0.64 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Structure and Conditions of the Share Offer — The Placing — Price Determination of the Share Offer" in this prospectus, is less than the maximum price of HK\$0.64 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PLACING

#### Number of Offer Shares offered

The Placing will consist of an initial offering of 108,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer and approximately 22.5% of the total issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. The Placing will be offered by us to professional, institutional and individual investors in Hong Kong.

#### Allocation

The Placing will include selective marketing of the Placing Shares to institutional and other investors anticipated to have a sizeable demand for the Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Price Determination of the Share Offer” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the other Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of the Public Offer Shares under the Public Offer.

#### Price Determination of the Share Offer

The Placing Underwriters will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 6 July 2016 by agreement between the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.64 per Offer Share and is expected to be not less than HK\$0.52 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Bookrunners (for themselves and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of our Company ([www.AL-Grp.com](http://www.AL-Grp.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) a notice of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, they will be allowed to subsequently withdraw their applications. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$50 million, assuming an Offer Price per Offer Share of HK\$0.58 (being the mid-point of the stated indicative Offer Price range of HK\$0.52 to HK\$0.64 per Offer Share).

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares available under the Public Offer, are expected to be announced on Monday, 11 July 2016 on the website of our Company ([www.AL-Grp.com](http://www.AL-Grp.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### UNDERWRITING AGREEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is conditional upon the Placing Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

### THE SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies 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 date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.

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.

### CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Public Offer Shares pursuant to the Public Offer will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Share Offer;
- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (d) the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms, on or before the dates and times specified in the Placing Underwriting Agreement.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters), or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by on our Company website on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Monday, 11 July 2016 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 12 July 2016 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for termination” in this prospectus has not been exercised.

### DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 12 July 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 12 July 2016.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 8360.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Sponsor or the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 29 June 2016 until 12:00 noon on Tuesday, 5 July 2016 from:

- (i) **VBG Capital Limited** at 18/F., Prosperity Tower, 39 Queen's Road Central, Hong Kong
- (ii) **Pacific Foundation Securities Limited** at 11/F., New World Tower II, 16–18 Queen's Road Central, Hong Kong

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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(iii) any of the following branches of The Bank of East Asia, Limited:

| District                | Branch Name             | Address                                                                 |
|-------------------------|-------------------------|-------------------------------------------------------------------------|
| <b>Hong Kong Island</b> | Main Branch             | 10 Des Voeux Road Central, Central                                      |
|                         | King's Road Branch      | Shop 2, G/F., S U P Tower<br>75–83 King's Road, Quarry Bay              |
| <b>Kowloon</b>          | Tsim Sha Tsui Branch    | Shop A & B, Milton Mansion<br>96 Nathan Road, Tsim Sha Tsui             |
|                         | Hoi Yuen Road Branch    | Unit 1, G/F., Hewlett Centre<br>54 Hoi Yuen Road, Kwun Tong             |
| <b>New Territories</b>  | Metro City Plaza Branch | Shop 243, Level 2, Metro City Plaza I<br>1 Wan Hang Road, Tseung Kwan O |

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 29 June 2016 until 12:00 noon on Tuesday, 5 July 2016 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — AL Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

**Wednesday, 29 June 2016 — 9:00 a.m. to 5:00 p.m.**

**Thursday, 30 June 2016 — 9:00 a.m. to 5:00 p.m.**

**Saturday, 2 July 2016 — 9:00 a.m. to 1:00 p.m.**

**Monday, 4 July 2016 — 9:00 a.m. to 5:00 p.m.**

**Tuesday, 5 July 2016 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 5 July 2016, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States of America (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM**

### **General**

Individuals who meet the criteria in the paragraph headed “Who can apply”, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application through the **HK eIPO White Form** at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 29 June 2016 until 11:30 a.m. on Tuesday, 5 July 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 5 July 2016 or such later time under the paragraph headed “10. Effects of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F., One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Wednesday, 29 June 2016 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Thursday, 30 June 2016 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Saturday, 2 July 2016 — 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>**  
**Monday, 4 July 2016 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Tuesday, 5 July 2016 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon**

*Note:*

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 29 June 2016 until 12:00 noon on Tuesday, 5 July 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 5 July 2016, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 5 July 2016.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealings in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 July 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 5 July 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 11 July 2016 on our Company’s website at [www.AL-Grp.com](http://www.AL-Grp.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.AL-Grp.com](http://www.AL-Grp.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Monday, 11 July 2016;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 11 July 2016 to 12:00 midnight on Friday, 15 July 2016;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 11 July 2016 to Thursday, 14 July 2016 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 11 July 2016 to Wednesday, 13 July 2016 at all the receiving bank branches on a Business Day.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES**

You should note the following situations in which the Public Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the **HK eIPO White Form**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.64 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading Fee thereon), or if the conditions of the Public Offer set out in the paragraph headed “Structure and Conditions of the Share Offer — The Public Offer — Conditions of the Public Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 11 July 2016.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 11 July 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 12 July 2016 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **(i) *If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 July 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 11 July 2016, by ordinary post and at your own risk.

#### **(ii) *If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 11 July 2016, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 11 July 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 July 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### **(iii) *If you apply through the HK eIPO White Form***

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 July 2016, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 11 July 2016 by ordinary post at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

**(iv) *If you apply via Electronic Application Instructions to HKSCC***

*Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 11 July 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "Publication of results" above on Monday, 11 July 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 July 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 11 July 2016. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 11 July 2016.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) 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.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

29 June 2016

The Directors  
AL Group Limited  
VBG Capital Limited

Dear Sirs,

We report on the financial information of AL Group Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 December 2014 and 2015 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2014 and 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 29 June 2016 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, which was completed on 15 June 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*

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No statutory audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The statutory audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(c) of Section II below.

### **Directors’ Responsibility for the Financial Information**

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(c) of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

### **Reporting Accountant’s Responsibility**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

### **Opinion**

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1(c) of Section II below, a true and fair view of the combined financial position of the Group as at 31 December 2014 and 2015 and of the Group’s combined financial performance and cash flows for the Relevant Periods.

**I FINANCIAL INFORMATION OF THE GROUP**

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2014 and 2015 and for each of the years ended 31 December 2014 and 2015 (the “Financial Information”), presented on the basis set out in Note 1(c) of Section II below:

**(A) Combined Statements of Comprehensive Income**

|                                                                                      | <i>Notes</i> | <b>For the year ended 31 December</b> |                    |
|--------------------------------------------------------------------------------------|--------------|---------------------------------------|--------------------|
|                                                                                      |              | <b>2014</b>                           | <b>2015</b>        |
|                                                                                      |              | <b>HK\$</b>                           | <b>HK\$</b>        |
| Revenue                                                                              | 5            | 51,158,499                            | 84,511,670         |
| Other income                                                                         | 6            | 71,378                                | 76,573             |
| Other losses, net                                                                    | 7            | (183,937)                             | (308,719)          |
| Subcontracting and materials costs                                                   |              | (35,459,117)                          | (55,505,971)       |
| Employee benefit expenses                                                            | 9            | (6,417,434)                           | (7,156,314)        |
| Rental expenses                                                                      |              | (637,792)                             | (669,352)          |
| Other expenses                                                                       | 8            | <u>(1,500,955)</u>                    | <u>(2,775,535)</u> |
| <b>Operating profit</b>                                                              |              | <u>7,030,642</u>                      | <u>18,172,352</u>  |
| Finance income                                                                       | 10           | <u>38,088</u>                         | <u>96,514</u>      |
| <b>Profit before income tax</b>                                                      |              | 7,068,730                             | 18,268,866         |
| Income tax expense                                                                   | 11           | <u>(1,161,712)</u>                    | <u>(2,975,102)</u> |
| <b>Profit for the year attributable to owners of the Company</b>                     |              | <u>5,907,018</u>                      | <u>15,293,764</u>  |
| Other comprehensive income                                                           |              | —                                     | —                  |
| <b>Total comprehensive income for the year attributable to owners of the Company</b> |              | <u>5,907,018</u>                      | <u>15,293,764</u>  |
| <b>Dividends</b>                                                                     | 12           | <u>6,000,000</u>                      | <u>5,500,000</u>   |
| <b>Basic and diluted earnings per share</b>                                          | 13           | <u>N/A</u>                            | <u>N/A</u>         |

**(B) Combined Balance Sheets**

|                                                  |              | As at 31 December |                   |
|--------------------------------------------------|--------------|-------------------|-------------------|
|                                                  |              | 2014              | 2015              |
|                                                  |              | HK\$              | HK\$              |
|                                                  | <i>Notes</i> |                   |                   |
| <b>ASSETS</b>                                    |              |                   |                   |
| <b>Non-current assets</b>                        |              |                   |                   |
| Available-for-sale financial assets              | 14           | 1,426,188         | 1,271,921         |
| Property, plant and equipment                    | 15           | <u>199,763</u>    | <u>116,863</u>    |
|                                                  |              | <u>1,625,951</u>  | <u>1,388,784</u>  |
| <b>Current assets</b>                            |              |                   |                   |
| Trade and other receivables                      | 17           | 5,002,989         | 21,706,224        |
| Amounts due from customers for contract work     | 18           | 3,108,066         | 1,480,160         |
| Amount due from a related company                | 21           | 3,338,400         | 2,789,826         |
| Amounts due from directors                       | 22           | 2,544,333         | 1,085,195         |
| Short-term bank deposits                         | 19           | 3,531,116         | —                 |
| Cash and cash equivalents                        | 19           | <u>9,992,218</u>  | <u>12,695,225</u> |
|                                                  |              | <u>27,517,122</u> | <u>39,756,630</u> |
| <b>Total assets</b>                              |              | <u>29,143,073</u> | <u>41,145,414</u> |
| <b>EQUITY</b>                                    |              |                   |                   |
| Equity attributable to the owners of the Company |              |                   |                   |
| Combined capital                                 | 23           | 10,000            | 10,000            |
| Retained earnings                                |              | <u>7,749,373</u>  | <u>17,543,137</u> |
| Total equity                                     |              | <u>7,759,373</u>  | <u>17,553,137</u> |
| <b>LIABILITIES</b>                               |              |                   |                   |
| <b>Current liabilities</b>                       |              |                   |                   |
| Trade and other payables                         | 20           | 20,836,074        | 19,916,457        |
| Amounts due to customers for contract work       | 18           | 318,547           | 520,488           |
| Amount due to a director                         | 22           | —                 | 745,899           |
| Current income tax liabilities                   |              | <u>229,079</u>    | <u>2,409,433</u>  |
| <b>Total liabilities</b>                         |              | <u>21,383,700</u> | <u>23,592,277</u> |
| <b>Total equity and total liabilities</b>        |              | <u>29,143,073</u> | <u>41,145,414</u> |

## (C) Combined Statements of Changes in Equity

|                                                                | Combined<br>capital | Retained<br>earnings | Total             |
|----------------------------------------------------------------|---------------------|----------------------|-------------------|
|                                                                | HK\$                | HK\$                 | HK\$              |
| <b>As at 1 January 2014</b>                                    | 10,000              | 7,842,355            | 7,852,355         |
| <b>Total comprehensive income</b>                              | —                   | 5,907,018            | 5,907,018         |
| <b>Transaction with owners in their capacity<br/>as owners</b> |                     |                      |                   |
| Dividends paid ( <i>Note 12</i> )                              | —                   | (6,000,000)          | (6,000,000)       |
| <b>As at 31 December 2014</b>                                  | 10,000              | 7,749,373            | 7,759,373         |
| <b>As at 1 January 2015</b>                                    | 10,000              | 7,749,373            | 7,759,373         |
| <b>Total comprehensive income</b>                              | —                   | 15,293,764           | 15,293,764        |
| <b>Transaction with owners in their capacity<br/>as owners</b> |                     |                      |                   |
| Dividends declared ( <i>Note 12</i> )                          | —                   | (5,500,000)          | (5,500,000)       |
| <b>As at 31 December 2015</b>                                  | <u>10,000</u>       | <u>17,543,137</u>    | <u>17,553,137</u> |

**(D) Combined Statements of Cash Flows**

|                                                                     | <i>Note</i> | <b>2014</b><br><b>HK\$</b> | <b>2015</b><br><b>HK\$</b> |
|---------------------------------------------------------------------|-------------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                         |             |                            |                            |
| Profit before income tax                                            |             | 7,068,730                  | 18,268,866                 |
| Adjustments for:                                                    |             |                            |                            |
| Depreciation of property, plant and equipment                       | 15          | 129,401                    | 103,148                    |
| Dividend income on available-for-sale financial assets              | 6           | (71,378)                   | (76,573)                   |
| Finance income                                                      | 10          | (38,088)                   | (96,514)                   |
| Impairment losses on available-for-sale financial assets            | 7           | <u>185,925</u>             | <u>230,840</u>             |
| Operating profit before working capital changes                     |             | 7,274,590                  | 18,429,767                 |
| Decrease/(increase) in trade and other receivables                  |             | 5,375,530                  | (16,703,235)               |
| (Increase)/decrease in amounts due from customers for contract work |             | (896,305)                  | 1,627,906                  |
| (Decrease)/increase in amounts due to customers for contract work   |             | (1,514,162)                | 201,941                    |
| Decrease in amount due from a related company                       |             | 121,047                    | 548,574                    |
| Decrease in trade and other payables                                |             | <u>(1,490,551)</u>         | <u>(919,617)</u>           |
| Cash generated from operations                                      |             | 8,870,149                  | 3,185,336                  |
| Income tax paid                                                     |             | <u>(1,954,477)</u>         | <u>(794,748)</u>           |
| <b>Net cash generated from operating activities</b>                 |             | <u><u>6,915,672</u></u>    | <u><u>2,390,588</u></u>    |
| <b>Cash flows from investing activities</b>                         |             |                            |                            |
| Purchase of property, plant and equipment                           | 15          | (178,934)                  | (20,248)                   |
| (Increase)/decrease in short-term bank deposits                     |             | (3,531,116)                | 3,531,116                  |
| Interest received                                                   | 10          | <u>38,088</u>              | <u>96,514</u>              |
| <b>Net cash (used in)/generated from investing activities</b>       |             | <u><u>(3,671,962)</u></u>  | <u><u>3,607,382</u></u>    |
| <b>Cash flows from financing activities</b>                         |             |                            |                            |
| Decrease/(increase) in amounts due from directors                   |             | 282,525                    | (4,040,862)                |
| Increase in amount due to a director                                |             | —                          | 745,899                    |
| Dividends paid                                                      |             | <u>(6,000,000)</u>         | <u>—</u>                   |
| <b>Net cash used in financing activities</b>                        |             | <u><u>(5,717,475)</u></u>  | <u><u>(3,294,963)</u></u>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>         |             | (2,473,765)                | 2,703,007                  |
| Cash and cash equivalents at the beginning of year                  |             | <u>12,465,983</u>          | <u>9,992,218</u>           |
| <b>Cash and cash equivalents at the end of year</b>                 | 19          | <u><u>9,992,218</u></u>    | <u><u>12,695,225</u></u>   |
| <b>Non-cash transaction</b>                                         |             |                            |                            |

Dividends declared by a subsidiary of the Company during the year ended 31 December 2015 were settled against the amounts due from directors.

**II NOTES TO THE FINANCIAL INFORMATION****1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION****(a) General information**

AL Group Limited (the “Company”) was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries they principally provide interior design and fit out solutions as well as overall project management in Hong Kong (the “Listing Business”). The ultimate controlling parties of the Company are Mr. Yau Chung Ping (“Mr. Yau”) and Ms. Sz Kit (“Ms. Sz”). The ultimate holding company of the Company is Legend Investments International Limited (“Legend Investments”).

**(b) Reorganisation**

Prior to the incorporation of the Company and the completion of the Reorganisation as described below, the Listing Business was primarily operated by AL Design & Associates Limited (“AL Design”). The Listing Business was controlled by Legend Investments, Mr. Yau and Ms. Sz (collectively, the “Controlling Shareholders”) throughout the Relevant Periods.

In preparation for the Listing, the Group underwent the Reorganisation which principally involved the following steps:

- (a) On 1 February 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On its incorporation, 1 nil-paid share was subsequently transferred to Legend Investments, which is ultimately controlled by Mr. Yau and Ms. Sz.
- (b) On 16 February 2016, AL Group International Limited (“AL Group International”) was incorporated in British Virgin Islands (“BVI”) and on the same day, 1 share of US\$1.00 was allotted and issued to the Company in cash at par.
- (c) On 10 June 2016, pursuant to a sale and purchase agreement dated 10 June 2016 entered into between Mr. Yau and Ms. Sz as vendors and warrantors and the Company as purchaser, Mr. Yau and Ms. Sz transferred their entire shareholding interest in AL Design to AL Group International at a consideration of (i) the Company allotting and issuing 49 shares to Legend Investments credited as fully paid and (ii) the Company crediting the 1 nil-paid Share issued to Legend Investments as fully paid.
- (d) On 15 June 2016, pursuant to a sale and purchase agreement dated 15 June 2016 entered into between Mr. Yau and Ms. Sz as vendors and warrantors and the Company as purchaser, Mr. Yau and Ms. Sz transferred their entire shareholding interest in Legend One Contracting Limited (“Legend One”) to AL Group International at a consideration of the Company allotting and issuing 50 shares to Legend Investments credited as fully paid.

Upon the completion of the Reorganisation, the Company would become the holding company of the companies now comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

| Name of subsidiaries                                                                       | Place and date of incorporation                     | Registered/issued and fully paid up share capital | Principal activities                                                                     | Effective interest held by the Group |      |                      | Statutory auditors and years as audited |
|--------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------|------|----------------------|-----------------------------------------|
|                                                                                            |                                                     |                                                   |                                                                                          |                                      |      | As at date of report |                                         |
|                                                                                            |                                                     |                                                   |                                                                                          | 31 December                          |      |                      |                                         |
|                                                                                            |                                                     |                                                   |                                                                                          | 2014                                 | 2015 |                      |                                         |
| <b>Directly held:</b>                                                                      |                                                     |                                                   |                                                                                          |                                      |      |                      |                                         |
| AL Group International Limited                                                             | British Virgin Islands (“BVI”),<br>16 February 2016 | 50,000 ordinary shares of US\$1 each              | Investment holding                                                                       | N/A                                  | N/A  | 100%                 | N/A, Note (1)                           |
| <b>Indirectly held:</b>                                                                    |                                                     |                                                   |                                                                                          |                                      |      |                      |                                         |
| AL Design & Associates Limited, formerly known as Allen Legend Design Limited (利駿設計規劃有限公司) | Hong Kong, 22 October 1999                          | HK\$10,000                                        | Provision of interior design and fit out solutions as well as overall project management | 100%                                 | 100% | 100%                 | Note (2)                                |
| Legend One Contracting Limited (利駿一項目有限公司)                                                 | Hong Kong, 20 January 2016                          | HK\$10,000                                        | Investment holding                                                                       | N/A                                  | N/A  | 100%                 | N/A, Note (1)                           |

*Notes:*

- (1) No audited financial statements have been issued for these companies as they are newly incorporated.
- (2) The statutory financial statements of this company for the year ended 31 December 2014 was audited by Harrison CPA Limited, Hong Kong and PricewaterhouseCoopers has been appointed as the auditor for the year ended 31 December 2015.

**(c) Basis of presentation**

The companies now comprising the Group, engaging in the Listing Business, were under the common control of Mr. Yau and Ms. Sz (the "Controlling Shareholders"), immediately before and after the Reorganisation. For the purpose of this report, the Financial Information has been prepared on a combined basis.

The Financial Information has been prepared by including the financial information of the companies engaged in the Listing Business, under common control of the Controlling Shareholders immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the years presented, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is the shorter period.

The net assets of the combining companies were combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The Financial Information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

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

The following are new standards, amendments and interpretations that have been issued but not yet effective and have not been early adopted by the Group:

|                     |                                                | <b>Effective for<br/>annual periods<br/>beginning on or after</b> |
|---------------------|------------------------------------------------|-------------------------------------------------------------------|
| HKFRSs (Amendments) | Annual improvements 2012–2014 cycle            | 1 January 2016                                                    |
| HKFRS 9             | Financial instruments                          | 1 January 2018                                                    |
| HKFRS 15            | Revenue from contracts with customers          | 1 January 2018                                                    |
| HKFRS 16            | Leases                                         | 1 January 2019                                                    |
| HKAS 1 (Amendment)  | Disclosure initiative                          | 1 January 2016                                                    |
| HKAS 27 Amendment   | Equity method in separate financial statements | 1 January 2016                                                    |

The Company is in the process of making an assessment of the impact of these new standards and amendments to standards upon initial application but is not yet in a position to state whether these new standards and amendments to standards would have any significant impact on its results of operations and financial position.

## 2.2 Subsidiaries

### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (i) *Business combinations*

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in combined statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors led by the Group's Chief Executive Officer ("C.E.O.") that makes strategic decisions.

### 2.4 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in HK\$, which is the Company's functional and presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined statements of comprehensive income within "finance income". All other foreign exchange gains and losses are presented in the combined statements of comprehensive income within "other losses, net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

#### (c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each presented are translated at the closing rate at the date of that combined balance sheets;
- (ii) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

## 2.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

|                        |         |
|------------------------|---------|
| Computer               | 3 years |
| Office equipment       | 3 years |
| Furniture              | 5 years |
| Leasehold improvements | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined statements of comprehensive income.

## 2.6 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.7 Financial assets

### (a) Classification

The Group classifies its financial assets in the following categories: available-for-sale and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (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. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These

are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from a related company", "amounts due from directors", "cash and cash equivalents" and "amounts due from customers for contract work" in the combined balance sheets.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the combined statements of comprehensive income as "gains and losses from investment securities".

Dividends on available-for-sale equity instruments are recognised in the statements of comprehensive income as part of other income when the Group's right to receive payments is established.

## 2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## 2.9 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

**(b) *Assets classified as available-for-sale***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the combined statements of comprehensive income on equity instruments are not reversed through the combined statements of comprehensive income.

## **2.10 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

## **2.11 Construction contracts**

Where the outcome of a construction contract in relation to provision of design, fit out and decoration 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 recognized 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 combined balance sheets as a liability, as receipt in advances. Amounts billed for work performed but not yet paid by the customers are included in the combined balance sheets under trade receivables.

## **2.12 Cash and cash equivalents**

In the combined statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the combined balance sheets, bank overdrafts are shown within borrowings in current liabilities.

## **2.13 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

## **2.14 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **2.15 Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to item recognised directly in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

### **(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### **(b) Deferred income tax**

#### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of combined balance sheets and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

*Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associates and joint ventures' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.16 Employee benefits

(a) *Pension obligation*

The Group operates a defined contribution plan. The scheme is generally funded through payments to insurance companies or trustee-administered funds.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**2.17 Provision**

Provisions for environment restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.18 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of services*

Design and fit out services income are recognised based on the stage of completion of the contracts as detailed in Note 2.11, provided that the stage of contract completion and the contract costs of the contracting work can be measured reliably.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) *Dividend income*

Dividend income is recognised when the right to receive the payment is established.

**2.19 Operating leases (as the lessee)**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the statements of comprehensive income on a straight-line basis over the period of the leases.

## 2.20 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's combined financial statements in the period in which the dividends are approved by the Group's shareholders or directors, where appropriate.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Company Treasury). Company Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk and investment of excess liquidity.

#### (a) Foreign exchange risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows.

The management considers that the Group is not exposed to significant foreign currency risk as majority of its transactions are denominated in HK\$ (the functional currency of the Group) and there were only insignificant balances of financial assets and liabilities denominated in foreign currency at the end of the reporting period.

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### (b) Credit risk

Credit risk of the Group mainly arises from trade receivables, deposits with banks, as well as credit exposures to customers such as amounts due from related parties and directors and other receivables. The carrying amounts of these balances in the combined balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits are placed in a bank which is independently rated with a high credit rating. Management does not expect any losses from non-performance by this bank as it has no default history in the past.

The table below shows the details of bank deposit balances maintained at Wing Lung Bank at the respective balance sheet dates:

|                                                   | Rating | Year ended 31 December |            |
|---------------------------------------------------|--------|------------------------|------------|
|                                                   |        | 2014                   | 2015       |
|                                                   |        | HK\$                   | HK\$       |
| <b>Cash at banks and short-term bank deposits</b> |        |                        |            |
| Wing Lung Bank                                    | A3     | 13,523,334             | 12,695,225 |

*Note:*

- (i) The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents.

The Group's primary cash requirements have been for additions of property, plant and equipment, and payment for purchases, operating expenses and dividends. The Group mainly finances its working capital requirements through internal resources. The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

|                                                              | <u>On demand</u> | <u>Less than</u><br><u>1 year</u> | <u>Total</u>      |
|--------------------------------------------------------------|------------------|-----------------------------------|-------------------|
|                                                              | <u>HK\$</u>      | <u>HK\$</u>                       | <u>HK\$</u>       |
| <b>At 31 December 2014</b>                                   |                  |                                   |                   |
| Trade and other payables excluding non-financial liabilities | —                | 19,997,875                        | 19,997,875        |
|                                                              | <u>—</u>         | <u>19,997,875</u>                 | <u>19,997,875</u> |
| <b>At 31 December 2015</b>                                   |                  |                                   |                   |
| Trade and other payables excluding non-financial liabilities | —                | 18,695,796                        | 18,695,796        |
| Amount due to a director                                     | 745,899          | —                                 | 745,899           |
|                                                              | <u>745,899</u>   | <u>18,695,796</u>                 | <u>19,441,695</u> |

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Total capital of the Company is calculated as total equity less total borrowings, if any. Management considers that the Company's capital risk is minimal as there was no borrowing as at 31 December 2014 and 2015.

### 3.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, short-term bank deposits, receivables, amounts due from customers for contract work, amounts due from a related company and directors; and financial liabilities including payables, amounts due to customers for contract work approximate their fair values due to their short maturities. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The carrying value of financial instruments measured at fair value at the balance sheet date are categorized among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

#### At 31 December 2014

|                                            | Level 1   | Level 2 | Level 3 | Total     |
|--------------------------------------------|-----------|---------|---------|-----------|
|                                            | HK\$      | HK\$    | HK\$    | HK\$      |
| <b>Available-for-sale financial assets</b> |           |         |         |           |
| Equity security                            |           |         |         |           |
| — Listed securities                        | 1,426,188 | —       | —       | 1,426,188 |

#### At 31 December 2015

|                                            | Level 1   | Level 2 | Level 3 | Total     |
|--------------------------------------------|-----------|---------|---------|-----------|
|                                            | HK\$      | HK\$    | HK\$    | HK\$      |
| <b>Available-for-sale financial assets</b> |           |         |         |           |
| Equity security                            |           |         |         |           |
| — Listed securities                        | 1,271,921 | —       | —       | 1,271,921 |

There were no transfers between levels 1, 2 and 3 during the year.

#### Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on the Hong Kong Stock Exchange classified as available-for-sale financial assets.

**3.4 Offsetting financial assets and financial liabilities**

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(a) Useful lives and depreciation expenses for property, plant and equipment**

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Actual economic lives may differ from estimated useful lives. Periodic review could result in changes in useful lives and therefore depreciation expense in future periods.

**(b) Impairment of financial assets**

The Group's management determines the provision for impairment of financial assets based on an assessment of the recoverability of the financial assets. The amount is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

**(c) Construction contracts**

The Company reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimates may have an impact on the profit recognised in each year.

**5 REVENUE AND SEGMENT INFORMATION**

The executive directors of the Company, being the chief operating decision-makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group focuses on provision of design, fit out and decoration services during the Relevant Periods. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

**Revenue from major services**

The Group's revenue from its major services during the Relevant Periods is as follows:

|                                     | <b>Year ended 31 December</b> |                   |
|-------------------------------------|-------------------------------|-------------------|
|                                     | <b>2014</b>                   | <b>2015</b>       |
|                                     | <b>HK\$</b>                   | <b>HK\$</b>       |
| Design and fit out                  | 47,706,326                    | 77,071,258        |
| Design                              | 430,300                       | 4,100,000         |
| Maintenance and aftersales services | 3,021,873                     | 3,340,412         |
|                                     | <u>51,158,499</u>             | <u>84,511,670</u> |

**Geographical information**

The Group's operations are located in Hong Kong.

The Group's geographical segments are classified according to the location of its customers. Segment revenue from external customers by the location of customer during the Relevant Periods is as follows:

**Revenue from external customers**

|           | <b>Year ended 31 December</b> |                   |
|-----------|-------------------------------|-------------------|
|           | <b>2014</b>                   | <b>2015</b>       |
|           | <b>HK\$</b>                   | <b>HK\$</b>       |
| Hong Kong | <u>51,158,499</u>             | <u>84,511,670</u> |

The Group's geographical segments are also classified by the location of assets. Information about the Group's non-current assets by geographical location are detailed as below:

**Non-current assets**

|           | <b>As at 31 December</b> |                  |
|-----------|--------------------------|------------------|
|           | <b>2014</b>              | <b>2015</b>      |
|           | <b>HK\$</b>              | <b>HK\$</b>      |
| Hong Kong | <u>1,625,951</u>         | <u>1,388,784</u> |

For the year ended 31 December 2014, no customer individually accounted for more than 10% of the Group's total revenue. Analysis of the customer that contributed more than 10% of the Group's total revenue during the year ended 31 December 2015 is set out below:

|            | Years ended 31 December |            |
|------------|-------------------------|------------|
|            | 2014                    | 2015       |
|            | HK\$                    | HK\$       |
| Customer A | —                       | 15,380,265 |

The Group's five largest customers accounted for approximately 36.6% and 45% of the Group's total revenue for each of the years ended 31 December 2014 and 2015, respectively.

## 6 OTHER INCOME

|                                                        | Years ended 31 December |        |
|--------------------------------------------------------|-------------------------|--------|
|                                                        | 2014                    | 2015   |
|                                                        | HK\$                    | HK\$   |
| Dividend income on available-for-sale financial assets | 71,378                  | 76,573 |

## 7 OTHER LOSSES, NET

|                                                          | Years ended 31 December |           |
|----------------------------------------------------------|-------------------------|-----------|
|                                                          | 2014                    | 2015      |
|                                                          | HK\$                    | HK\$      |
| Foreign exchange gains/(losses)                          | 1,988                   | (77,879)  |
| Impairment losses on available-for-sale financial assets | (185,925)               | (230,840) |
|                                                          | (183,937)               | (308,719) |

## 8 OTHER EXPENSES

|                                                                  | Years ended 31 December |           |
|------------------------------------------------------------------|-------------------------|-----------|
|                                                                  | 2014                    | 2015      |
|                                                                  | HK\$                    | HK\$      |
| Depreciation of property, plant and equipment ( <i>Note 15</i> ) | 129,401                 | 103,148   |
| Auditor's remuneration                                           | 30,800                  | 300,000   |
| Legal and professional fees                                      | 758,657                 | 1,302,695 |
| Travelling and entertainment                                     | 113,659                 | 446,769   |
| Other expenses                                                   | 468,438                 | 622,923   |
|                                                                  | 1,500,955               | 2,775,535 |

## 9 EMPLOYEE BENEFIT EXPENSES

|                                            | Year ended 31 December |                  |
|--------------------------------------------|------------------------|------------------|
|                                            | 2014                   | 2015             |
|                                            | HK\$                   | HK\$             |
| Salaries and allowances                    | 6,042,824              | 6,773,875        |
| Pension costs — defined contribution plans | 287,883                | 305,042          |
| Welfare and benefits                       | 86,727                 | 77,397           |
|                                            | <u>6,417,434</u>       | <u>7,156,314</u> |
| Total including directors' remuneration    | <u>6,417,434</u>       | <u>7,156,314</u> |

## (a) Pensions — defined contribution plans

The Group maintains one defined contribution pension scheme for its employees in Hong Kong under the Mandatory Provident Fund ("MPF"). The assets of this scheme are held separately from those of the Group under independently administered funds.

Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employee's relevant income, as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subject to a cap of HK\$1,500 per month (HK\$1,250 before June 2014). The contributions are fully and immediately vested for the employees.

During each of the years ended 31 December 2014 and 2015, the aggregate amounts of the Group's contributions to the aforementioned pension scheme was approximately HK\$287,883 and HK\$305,042 respectively.

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two directors for the years ended 31 December 2014 and 2015, whose emoluments are reflected in the analysis shown in Note 27. The emoluments payable to the remaining three individuals during the years ended 31 December 2014 and 2015 are as follows:

|                                           | Year ended 31 December |                  |
|-------------------------------------------|------------------------|------------------|
|                                           | 2014                   | 2015             |
|                                           | HK\$                   | HK\$             |
| Basic salaries and bonuses                | 1,299,903              | 1,368,564        |
| Pension costs — defined contribution plan | 65,859                 | 70,000           |
|                                           | <u>1,365,762</u>       | <u>1,438,564</u> |

The emoluments fell within the following band:

|                                       | Year ended 31 December |          |
|---------------------------------------|------------------------|----------|
|                                       | 2014                   | 2015     |
|                                       | Number of individuals  |          |
| <b>Emolument bands (in HK dollar)</b> |                        |          |
| Nil to HK\$1,000,000                  | <u>3</u>               | <u>3</u> |

**10 FINANCE INCOME**

|                                  | <b>Year ended 31 December</b> |             |
|----------------------------------|-------------------------------|-------------|
|                                  | <b>2014</b>                   | <b>2015</b> |
|                                  | <b>HK\$</b>                   | <b>HK\$</b> |
| <b>Finance income</b>            |                               |             |
| Interest income on bank deposits | 38,088                        | 96,514      |

**11 INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2014 and 2015.

|                    | <b>Year ended 31 December</b> |             |
|--------------------|-------------------------------|-------------|
|                    | <b>2014</b>                   | <b>2015</b> |
|                    | <b>HK\$</b>                   | <b>HK\$</b> |
| <b>Current tax</b> |                               |             |
| Hong Kong          | 1,161,712                     | 2,975,102   |

The income tax expense for the years ended 31 December 2014 and 2015 can be reconciled to the profit before income tax set out in the combined statements of comprehensive income as follows:

|                                          | <b>Year ended 31 December</b> |             |
|------------------------------------------|-------------------------------|-------------|
|                                          | <b>2014</b>                   | <b>2015</b> |
|                                          | <b>HK\$</b>                   | <b>HK\$</b> |
| Profit before income tax                 | 7,068,730                     | 18,268,866  |
| Calculated at a taxation rate of 16.5%   | 1,166,340                     | 3,014,363   |
| Income not subject to tax                | (18,253)                      | (19,261)    |
| Expenses not deductible for tax purposes | 33,625                        | —           |
| Tax deduction                            | (20,000)                      | (20,000)    |
| Income tax expense                       | 1,161,712                     | 2,975,102   |

For the years ended 31 December 2014 and 2015, the weighted average applicable tax rate was 16.5%.

**12 DIVIDENDS**

Dividends during each of the years ended 31 December 2014 and 2015 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for each of the years ended 31 December 2014 and 2015. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

**13 EARNINGS PER SHARE**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as set out in Note 1 (c) of Section II.

## 14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                                                        | <u>2014</u>      | <u>2015</u>      |
|------------------------------------------------------------------------|------------------|------------------|
|                                                                        | HK\$             | HK\$             |
| <b>Listed securities:</b>                                              |                  |                  |
| Equity securities listed in Hong Kong                                  | <u>1,426,188</u> | <u>1,271,921</u> |
| <br>Movement of the available-for-sale financial assets is as follows: |                  |                  |
|                                                                        | <u>2014</u>      | <u>2015</u>      |
|                                                                        | HK\$             | HK\$             |
| <b>At 1 January</b>                                                    | 1,540,735        | 1,426,188        |
| Additions                                                              | 71,378           | 76,573           |
| Impairment losses ( <i>Note 7</i> )                                    | <u>(185,925)</u> | <u>(230,840)</u> |
| <br><b>At 31 December</b>                                              | <u>1,426,188</u> | <u>1,271,921</u> |

The maximum exposure to credit risk at the balance sheet date is the carrying value of available-for-sale financial assets. Available-for-sale financial assets are denominated in HK\$.

## 15 PROPERTY, PLANT AND EQUIPMENT

|                                    | <b>Computer<br/>Equipment</b> | <b>Leasehold<br/>Improvements</b> | <b>Office<br/>Equipment</b> | <b>Furniture</b> | <b>Total</b>       |
|------------------------------------|-------------------------------|-----------------------------------|-----------------------------|------------------|--------------------|
|                                    | <b>HK\$</b>                   | <b>HK\$</b>                       | <b>HK\$</b>                 | <b>HK\$</b>      | <b>HK\$</b>        |
| <b>At 1 January 2014</b>           |                               |                                   |                             |                  |                    |
| Cost                               | 949,325                       | 225,891                           | 306,531                     | 219,473          | 1,701,220          |
| Accumulated depreciation           | <u>(856,406)</u>              | <u>(215,870)</u>                  | <u>(299,261)</u>            | <u>(179,453)</u> | <u>(1,550,990)</u> |
| <b>Net book amount</b>             | <u>92,919</u>                 | <u>10,021</u>                     | <u>7,270</u>                | <u>40,020</u>    | <u>150,230</u>     |
| <b>Year ended 31 December 2014</b> |                               |                                   |                             |                  |                    |
| Opening net book amount            | 92,919                        | 10,021                            | 7,270                       | 40,020           | 150,230            |
| Additions                          | 108,682                       | 37,307                            | 32,945                      | —                | 178,934            |
| Depreciation charge                | <u>(91,295)</u>               | <u>(10,801)</u>                   | <u>(13,941)</u>             | <u>(13,364)</u>  | <u>(129,401)</u>   |
| <b>Closing net book amount</b>     | <u>110,306</u>                | <u>36,527</u>                     | <u>26,274</u>               | <u>26,656</u>    | <u>199,763</u>     |
| <b>At 31 December 2014</b>         |                               |                                   |                             |                  |                    |
| Cost                               | 1,058,007                     | 263,198                           | 339,476                     | 219,473          | 1,880,154          |
| Accumulated depreciation           | <u>(947,701)</u>              | <u>(226,671)</u>                  | <u>(313,202)</u>            | <u>(192,817)</u> | <u>(1,680,391)</u> |
| <b>Net book amount</b>             | <u>110,306</u>                | <u>36,527</u>                     | <u>26,274</u>               | <u>26,656</u>    | <u>199,763</u>     |
| <b>Year ended 31 December 2015</b> |                               |                                   |                             |                  |                    |
| Opening net book amount            | 110,306                       | 36,527                            | 26,274                      | 26,656           | 199,763            |
| Additions                          | 9,040                         | —                                 | 6,088                       | 5,120            | 20,248             |
| Depreciation charge                | <u>(63,692)</u>               | <u>(10,801)</u>                   | <u>(14,303)</u>             | <u>(14,352)</u>  | <u>(103,148)</u>   |
| <b>Closing net book amount</b>     | <u>55,654</u>                 | <u>25,726</u>                     | <u>18,059</u>               | <u>17,424</u>    | <u>116,863</u>     |
| <b>At 31 December 2015</b>         |                               |                                   |                             |                  |                    |
| Cost                               | 1,067,047                     | 263,198                           | 345,564                     | 224,593          | 1,900,402          |
| Accumulated depreciation           | <u>(1,011,393)</u>            | <u>(237,472)</u>                  | <u>(327,505)</u>            | <u>(207,169)</u> | <u>(1,783,539)</u> |
| <b>Net book amount</b>             | <u>55,654</u>                 | <u>25,726</u>                     | <u>18,059</u>               | <u>17,424</u>    | <u>116,863</u>     |

Depreciation expenses of HK\$129,401 and HK\$103,148 have been included in the combined statements of comprehensive income for the years ended 31 December 2014 and 2015 respectively.

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

|                                                              | <b>2014</b>       | <b>2015</b>       |
|--------------------------------------------------------------|-------------------|-------------------|
|                                                              | <b>HK\$</b>       | <b>HK\$</b>       |
| <b>Assets as per balance sheet</b>                           |                   |                   |
| Available-for-sale financial assets                          | 1,426,188         | 1,271,921         |
| Trade and other receivables excluding prepayments            | 4,777,749         | 21,439,851        |
| Amounts due from customers for contract work                 | 3,108,066         | 1,480,160         |
| Amount due from a related company                            | 3,338,440         | 2,789,826         |
| Amounts due from directors                                   | 2,544,333         | 1,085,195         |
| Short-term bank deposits                                     | 3,531,116         | —                 |
| Cash and cash equivalents                                    | 9,992,218         | 12,695,225        |
| <b>Total</b>                                                 | <b>28,718,110</b> | <b>40,762,178</b> |
| <b>Liabilities as per balance sheet</b>                      |                   |                   |
| Trade and other payables excluding non-financial liabilities | 19,997,875        | 18,695,796        |
| Amount due to a director                                     | —                 | 745,899           |
| <b>Total</b>                                                 | <b>19,997,875</b> | <b>19,441,695</b> |

## 17 TRADE AND OTHER RECEIVABLES

|                                                     | <b>2014</b>      | <b>2015</b>       |
|-----------------------------------------------------|------------------|-------------------|
|                                                     | <b>HK\$</b>      | <b>HK\$</b>       |
| Trade receivables                                   | 4,585,073        | 21,234,568        |
| Less: Provision for impairment of trade receivables | —                | —                 |
|                                                     | 4,585,073        | 21,234,568        |
| Prepayments, deposits and other receivables         | 417,916          | 471,656           |
|                                                     | <b>5,002,989</b> | <b>21,706,224</b> |

The carrying amounts of trade receivables are denominated in HK\$.

The Group does not grant credit term to customers. At 31 December 2014 and 2015, the ageing analysis of the trade receivables based on invoice date were as follows:

|                   | <b>2014</b>      | <b>2015</b>       |
|-------------------|------------------|-------------------|
|                   | <b>HK\$</b>      | <b>HK\$</b>       |
| <b>Overdue</b>    |                  |                   |
| 1–30 days         | 2,119,548        | 13,630,341        |
| 31–60 days        | 901,170          | 2,894,708         |
| More than 60 days | 1,564,355        | 4,709,519         |
|                   | <b>4,585,073</b> | <b>21,234,568</b> |

As of 31 December 2014 and 2015, trade receivables of HK\$4,585,073 and HK\$21,234,568 were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group's management closely monitors the credit quality of debtors and considers the debtors that are past due but not impaired to be of a good credit quality. Based on the payment pattern of the customers of the Group, debtors that are past due but not impaired are generally collectible.

As of 31 December 2014 and 2015, deposit of HK\$167,721 and HK\$180,328 represent the rental deposit held by a related company, Legend Enterprise (HK) Limited (Note 26(b)).

# 18 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

|                                                                                   | <u>2014</u>        | <u>2015</u>        |
|-----------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                   | <u>HK\$</u>        | <u>HK\$</u>        |
| <b>Amounts due from customers for contract work</b>                               |                    |                    |
| Contract costs incurred plus attributable profits less foreseeable losses to date | 13,032,556         | 6,949,847          |
| Progress billings received and receivable                                         | <u>(9,924,490)</u> | <u>(5,469,687)</u> |
|                                                                                   | <u>3,108,066</u>   | <u>1,480,160</u>   |
|                                                                                   |                    |                    |
|                                                                                   | <u>2014</u>        | <u>2015</u>        |
|                                                                                   | <u>HK\$</u>        | <u>HK\$</u>        |
| <b>Amounts due to customers for contract work</b>                                 |                    |                    |
| Progress billings received and receivable                                         | 2,964,904          | 1,240,488          |
| Contract costs incurred plus attributable profits less foreseeable losses to date | <u>(2,646,357)</u> | <u>(720,000)</u>   |
|                                                                                   | <u>318,547</u>     | <u>520,488</u>     |

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

As at 31 December 2014 and 2015, there is no balance for retention held by customers for contract work.

As at 31 December 2014 and 2015, advances received from customers for contract work amounted to approximately HK\$219,834 and HK\$317,538 respectively.

# 19 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

|                           | <u>2014</u>       | <u>2015</u>       |
|---------------------------|-------------------|-------------------|
|                           | <u>HK\$</u>       | <u>HK\$</u>       |
| Short-term bank deposits  | 3,531,116         | —                 |
| Cash and cash equivalents | <u>9,992,218</u>  | <u>12,695,225</u> |
|                           | <u>13,523,334</u> | <u>12,695,225</u> |

Short-term bank deposits represented three short-term bank deposits of HK\$1,878,000, HK\$685,950 and HK\$967,166 with interest rate of 1.65%, 1.55% and 1.45% per annum maturing on 7 July 2015, 29 July 2015 and 14 August 2015, respectively.

The Company's cash and bank balances are denominated in the following currencies:

|      | <u>2014</u>       | <u>2015</u>       |
|------|-------------------|-------------------|
|      | <u>HK\$</u>       | <u>HK\$</u>       |
| HK\$ | 12,519,050        | 12,348,990        |
| RMB  | <u>1,004,284</u>  | <u>346,235</u>    |
|      | <u>13,523,334</u> | <u>12,695,225</u> |

## 20 TRADE AND OTHER PAYABLES

|                                   | <u>2014</u>       | <u>2015</u>       |
|-----------------------------------|-------------------|-------------------|
|                                   | <u>HK\$</u>       | <u>HK\$</u>       |
| Trade payables                    | 17,110,793        | 17,140,936        |
| Accrued employee benefit expenses | 618,365           | 903,123           |
| Receipts in advance               | 219,834           | 317,538           |
| Other payables                    | <u>2,887,082</u>  | <u>1,554,860</u>  |
|                                   | <u>20,836,074</u> | <u>19,916,457</u> |

The carrying amounts of the trade payables approximate their fair values.

The ageing analysis of the trade payables based on invoice date was as follows:

|                | <u>2014</u>       | <u>2015</u>       |
|----------------|-------------------|-------------------|
|                | <u>HK\$</u>       | <u>HK\$</u>       |
| Within 1 month | 4,541,083         | 3,422,517         |
| 1 to 2 months  | 2,158,973         | 1,575,553         |
| 2 to 3 months  | 1,166,896         | 1,452,507         |
| Over 3 months  | <u>9,243,841</u>  | <u>10,690,359</u> |
|                | <u>17,110,793</u> | <u>17,140,936</u> |

## 21 AMOUNT DUE FROM A RELATED COMPANY

|                                | As at<br>31 December<br>2014 | Maximum<br>outstanding<br>balance during<br>the year ended<br>31 December<br>2014 | As at<br>31 December<br>2015 | Maximum<br>outstanding<br>balance during<br>the year ended<br>31 December<br>2015 |
|--------------------------------|------------------------------|-----------------------------------------------------------------------------------|------------------------------|-----------------------------------------------------------------------------------|
|                                | <u>HK\$</u>                  | <u>HK\$</u>                                                                       | <u>HK\$</u>                  | <u>HK\$</u>                                                                       |
| Legend Enterprise (HK) Limited | <u>3,338,400</u>             | 3,459,447                                                                         | <u>2,789,826</u>             | 3,338,400                                                                         |

The balances are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

**22 AMOUNTS DUE FROM/(TO) DIRECTORS****Amounts due from directors**

|                | As at<br>31 December<br>2014 | Maximum<br>outstanding<br>debit balance<br>during the<br>year ended<br>31 December<br>2014 | As at<br>31 December<br>2015 | Maximum<br>outstanding<br>debit balance<br>during the<br>year ended<br>31 December<br>2015 |
|----------------|------------------------------|--------------------------------------------------------------------------------------------|------------------------------|--------------------------------------------------------------------------------------------|
|                | HK\$                         | HK\$                                                                                       | HK\$                         | HK\$                                                                                       |
| Sz Kit         | 234,776                      | 580,999                                                                                    | —                            | 351,101                                                                                    |
| Yau Chung Ping | <u>2,309,557</u>             | 2,661,859                                                                                  | <u>1,085,195</u>             | 5,477,195                                                                                  |
|                | <u>2,544,333</u>             |                                                                                            | <u>1,085,195</u>             |                                                                                            |

The balances are non-trade in nature, unsecured, non-interest bearing and repayable on demand. The balances are denominated in HK\$. The carrying amounts of amounts due from directors approximate their fair values.

**Amount due to a director**

|        | As at<br>31 December<br>2014 | As at<br>31 December<br>2015 |
|--------|------------------------------|------------------------------|
|        | HK\$                         | HK\$                         |
| Sz Kit | <u>—</u>                     | <u>745,899</u>               |

The balance is non-trade in nature, unsecured, non-interest bearing and repayable on demand. The balance is denominated in HK\$. The carrying amount of amount due to a director approximates its fair value.

**23 SHARE CAPITAL**

The Reorganisation has not been completed as at 31 December 2015. For the purpose of Financial Information, the combined capital in the combined balance sheets as at 31 December 2014 and 2015 represents the combined capital of the companies now comprising the Group after elimination of inter-company investments.

**24 OPERATING LEASE COMMITMENTS**

The Group did not have any significant operating lease commitment as of 31 December 2014 and 2015.

**25 CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as of 31 December 2014 and 2015.

**26 RELATED PARTIES TRANSACTION**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control. Members of key management and their close family member of the Group are also considered as related parties.

The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

| <u>Name</u>                    | <u>Relationship with the Group</u> |
|--------------------------------|------------------------------------|
| Legend Enterprise (HK) Limited | Controlled by Mr. Yau and Ms. Sz   |

The following significant transaction was carried out between the Group and its related parties during the Relevant Periods. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

**(a) Transactions with related parties**

**(i) Continuing transaction**

|                                                    | <u>Year ended 31 December</u> |                |
|----------------------------------------------------|-------------------------------|----------------|
|                                                    | <u>2014</u>                   | <u>2015</u>    |
|                                                    | <u>HK\$</u>                   | <u>HK\$</u>    |
| Legend Enterprise (HK) Limited ( <i>Note (1)</i> ) | <u>604,192</u>                | <u>627,702</u> |

*Note:*

- (1) The rental expenses are mutually agreed between the related parties.
- (ii) Mr. Yau provided personal pledge of fixed deposits amounting to HK\$600,000, and Mr. Yau and Ms. Sz provided counter indemnities in favour of a bank for surety bonds issued by the bank in favour of certain our customers.

**(b) Balances with related parties**

Balances with related parties as at 31 December 2014 and 2015 were disclosed in Note 17, 21 and 22.

**(c) Key management compensation**

Key management includes directors and senior management. The compensation paid or payable to key management for employee services period is shown below:

|                                           | <u>Year ended 31 December</u> |                  |
|-------------------------------------------|-------------------------------|------------------|
|                                           | <u>2014</u>                   | <u>2015</u>      |
|                                           | <u>HK\$</u>                   | <u>HK\$</u>      |
| Basic salaries and bonuses                | 1,753,950                     | 2,350,850        |
| Pension costs — defined contribution plan | <u>100,500</u>                | <u>108,000</u>   |
|                                           | <u>1,854,450</u>              | <u>2,458,850</u> |

## 27 BENEFITS AND INTERESTS OF DIRECTORS

## (a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2014 is set out below:

|                            | <u>Fees</u> | <u>Salaries</u> | <u>Discretionary<br/>bonus<sup>(i)</sup></u> | <u>Housing<br/>allowance</u> | <u>Employer's<br/>contribution<br/>to a<br/>retirement<br/>benefit<br/>scheme</u> | <u>Total</u> |
|----------------------------|-------------|-----------------|----------------------------------------------|------------------------------|-----------------------------------------------------------------------------------|--------------|
|                            | HK\$        | HK\$            | HK\$                                         | HK\$                         | HK\$                                                                              | HK\$         |
| <b>Executive directors</b> |             |                 |                                              |                              |                                                                                   |              |
| Mr. Yau Chung Ping         | —           | 660,000         | 65,000                                       | —                            | 33,500                                                                            | 758,500      |
| Ms. Sz Kit                 | —           | 552,000         | 55,000                                       | —                            | 33,500                                                                            | 640,500      |
|                            | —           | 1,212,000       | 120,000                                      | —                            | 67,000                                                                            | 1,399,000    |

The remuneration of every Director for the year ended 31 December 2015 is set out below:

|                            | <u>Fees</u> | <u>Salaries</u> | <u>Discretionary<br/>bonus<sup>(i)</sup></u> | <u>Housing<br/>allowance</u> | <u>Employer's<br/>contribution<br/>to a<br/>retirement<br/>benefit<br/>scheme</u> | <u>Total</u> |
|----------------------------|-------------|-----------------|----------------------------------------------|------------------------------|-----------------------------------------------------------------------------------|--------------|
|                            | HK\$        | HK\$            | HK\$                                         | HK\$                         | HK\$                                                                              | HK\$         |
| <b>Executive directors</b> |             |                 |                                              |                              |                                                                                   |              |
| Mr. Yau Chung Ping         | —           | 743,500         | 272,000                                      | —                            | 36,000                                                                            | 1,051,500    |
| Ms. Sz Kit                 | —           | 628,000         | 232,000                                      | —                            | 36,000                                                                            | 896,000      |
|                            | —           | 1,371,500       | 504,000                                      | —                            | 72,000                                                                            | 1,947,500    |

Mr. Neo Sei Lin, Christopher, Mr. Lau Chun Wah, Davy, and Ms. Lee Hau Yan, Hannah were appointed as the Company's independent non-executive directors on 15 June 2016 with an effective date equivalent to the date of listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. During the Relevant Periods, the independent non-executive directors had not yet been appointed and did not receive any remuneration.

## (b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the Relevant Periods.

## (c) Consideration provided to third parties for making available directors' services

During the Relevant Periods, the Company does not pay consideration to any third parties for making available directors' services.

(d) **Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors**

As at 31 December 2014 and 2015, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors.

(e) **Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Relevant Periods.

## 28 EVENTS AFTER THE REPORTING DATE

The following significant events took place subsequent to 31 December 2015:

- (i) The Reorganisation was completed on 15 June 2016 and the details are summarised in Note 1(b).
- (ii) On 7 March 2016, the directors of AL Design have resolved to issue and allot 4,000 ordinary shares and 1,000 ordinary shares to Mr. Yau and Ms. Sz for HK\$4,721,592 and HK\$1,180,398, respectively.
- (iii) On 15 June 2016, the authorized share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by creation of an additional 9,962,000,000 shares.

## III. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 1 February 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. As at 31 December 2015, the Company was not incorporated and, accordingly, it had no assets, liabilities or distributable reserves on that date.

## IV. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2015 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2015.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

*The information set forth in this appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set forth in Appendix I to this prospectus, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountant's report set forth in Appendix I to this prospectus.*

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules, is for illustrative purposes only, and is set out below for the purpose of illustrating the effect of the Share Offer on the financial position of the Group as at 31 December 2015 as if the Share Offer had taken place on 31 December 2015.

This unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2015 or at any future dates following the Share Offer. It is prepared based on the combined net assets of the Group as at 31 December 2015 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

|                                                                         | Audited<br>combined net<br>tangible assets<br>of the Group<br>attributable to the<br>owners of the<br>Company as at<br>31 December 2015 | Estimated<br>net proceeds from<br>the Share Offer | Unaudited<br>pro forma adjusted<br>combined net<br>tangible assets<br>of the Group<br>attributable to the<br>owners of the<br>Company as at<br>31 December 2015 | Unaudited<br>pro forma adjusted<br>combined net<br>tangible assets<br>of the Group<br>attributable to the<br>owners of the<br>Company per Share |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                         | HK\$'000<br>(Note 1)                                                                                                                    | HK\$'000<br>(Note 2)                              | HK\$'000                                                                                                                                                        | HK\$<br>(Note 3)                                                                                                                                |
| Based on the minimum<br>indicative Offer Price of<br>HK\$0.52 per Share | 17,553                                                                                                                                  | 42,665                                            | 60,218                                                                                                                                                          | 0.13                                                                                                                                            |
| Based on the maximum<br>indicative Offer Price of<br>HK\$0.64 per Share | 17,553                                                                                                                                  | 56,632                                            | 74,185                                                                                                                                                          | 0.15                                                                                                                                            |

*Notes:*

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 are extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the owners of the Company as at 31 December 2015 of approximately HK\$17.6 million with no adjustment for intangible assets as the Group does not have any intangible assets.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.52 and HK\$0.64 per Offer Share, being the lower end to higher end of the Offer Price range respectively, after the deduction of total estimated underwriting commissions and fees and other listing related expenses (no listing expenses have been accounted for up to 31 December 2015) paid or payable by the Company, and takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate or under the Share Option Scheme as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is determined after the adjustments referred to in the preceding paragraphs and on the basis of 480 million Shares were in issue assuming that the Share Offer has been completed on 31 December 2015, but takes no account of any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate or under the Share Option Scheme as described in the section headed "Share Capital" in this prospectus.
- (4) No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to 31 December 2015. In particular, the unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company does not reflect the capital injection of HK\$5.9 million made by Controlling Shareholders into AL Design in February 2016. If adjusted, the unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company per share will be HK\$0.14 and HK\$0.17 per Share based on the minimum and maximum indicative Offer Prices of HK\$0.52 and HK\$0.64 per Offer Share respectively.

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

### To the Directors of AL Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of AL Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2015, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 29 June 2016, in connection with the proposed initial public offering and placing of shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering and placing of shares of the Company on the Group's financial position as at 31 December 2015 as if the proposed initial public offering and placing of shares had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2015, on which an accountant's report has been published.

### Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed initial public offering and placing of shares of the Company at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 29 June 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 February 2016 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 15 June 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### **(a) Directors**

#### *(i) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any Shares or class of Shares, any Share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any Share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of Shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any Shares or any class of Shares, all unissued Shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no Share shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iii) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(iv) Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

*(v) Financial assistance to purchase shares of the Company or its subsidiaries*

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any Shares in the Company. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of Shares or debentures or other securities of the Company by virtue only of his/their interest in Shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) *Remuneration*

The ordinary remuneration of the Directors 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 Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during

such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(viii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to

retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any Shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the Board (unless an alternate Director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a Director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ix) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

*(x) Proceedings of the Board*

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

*(xi) Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into Shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing Shares;
- (iii) divide its Shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into Shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-division, one or more of the Shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new Shares; or
- (v) cancel any Shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing Shares or classes of Shares**

Subject to the Companies Law, all or any of the special rights attached to the Shares or any class of Shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of that class and at any adjourned meeting two

holders present in person or by proxy (whatever the number of Shares held by them) shall be a quorum. Every holder of Shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any Shares or class of Shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such Shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any Shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a Share in advance of calls or installments is treated for the foregoing purposes as paid up on the Share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the Shares held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any Shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

**(j) Transfer of Shares**

All transfers of Shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any Share (not being a fully paid up Share) to a person of whom it does not approve or any Share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any Share (not being a fully paid up Share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of Share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of Shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own Shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own Shares in the Company and financial assistance to purchase Shares**

There are no provisions in the Articles relating to ownership of Shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any Shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the Shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that Shareholders entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be

satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to Shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of Shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the Shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the Shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the Shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any Shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the Shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance

with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the Directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to Shareholders under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the Shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets

shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### **3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Companies Law. Set out below is a summary of certain provisions of Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### **(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### **(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the

Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(n) Winding up**

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 1 February 2016. Our Company has established a place of business in Hong Kong at Unit A, 35/F., EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 10 March 2016. In connection with such registration, Mr. Yau and Ms. Sz have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Law and its constitution, which comprises a memorandum of association and the articles of association. A summary of certain provisions of its constitution and relevant aspects of Cayman Companies Law is set out in Appendix III to this prospectus.

**2. Changes in authorised and issued share capital of our Company**

Our Company was incorporated in the Cayman Islands on 1 February 2016 and the one nil-paid subscriber share was transferred to Legend Investments on the same date. The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

On 15 June 2016, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each which rank *pari passu* in all respect with the existing Shares.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus and up to the Latest Practicable Date.

**3. Resolutions in writing of the sole Shareholder passed on 15 June 2016**

Pursuant to the resolutions in writing passed by the sole Shareholder on 15 June 2016:

- (a) our Company adopted the new memorandum of association with immediate effect and adopted the new articles of association with effect from Listing Date;
- (b) our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each;

- (c) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “13. Share Option Scheme” below, and our Directors were authorised to grant options to subscribe for the Share thereunder and, conditional on the Listing Committee of the Stock Exchange granting of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of options granted under the Share Option Scheme on or before the date falling 30 days after the date of this prospectus, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (d) conditional on the Listing Committee 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 on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares under the Share Offer;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “13. Share Option Scheme” below, were approved and adopted and our Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
  - (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise approximately HK\$3,599,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 359,999,900 Shares for allotment and issue to the Shareholders whose names appear on the register of members of our Company as at the close of business on the Business Day immediate before the Listing Date in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then shareholdings in our Company so that the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;
  - (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our

Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors as set out in this paragraph (v), whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase the Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (vi), whichever occurs first; and
- (vi) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought back by our Company pursuant to the mandate to repurchase Shares as referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding the Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### 4. The Reorganisation

Our Group underwent the Reorganisation to rationalise our Group’s structure in preparation for the Listing. For information relating to the Reorganisation, please refer to the section headed “History, Reorganisation and Group Structure” in this prospectus.

## 5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in section headed "History, Reorganisation and Group Structure" in this prospectus, there are no changes in the registered capital of our subsidiaries during the two years preceding the date of this prospectus.

## 6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase 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 repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders' approval*

All proposed repurchase 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, 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 on 15 June 2016, the Repurchase 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, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme). The Repurchase Mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

#### (ii) *Source of funds*

Repurchase by our Company must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum and Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the

Cayman Islands law, any repurchase by our Company may only be made out of profits of our Company, or out of share premium account, or out of the proceeds of a fresh issue of share made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of our Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(iii) *Connected parties*

A company is prohibited from knowingly repurchasing securities from a "core connected person", that is, a director, chief executive or substantial shareholder of our Company or any of their respective close associates and a core connected person shall not knowingly sell his securities to our Company, on the Stock Exchange.

**(b) *Reasons for repurchase***

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchase will benefit our Company and the Shareholders.

**(c) *Funding of repurchase***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 480,000,000 Shares in issue immediately after the listing of the Shares on the Stock Exchange, would result in up to 480,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

**(d) General**

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

**FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP****7. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the sale and purchase agreement dated 10 June 2016 entered into among AL Group International, Mr. Yau, Ms. Sz and our Company pursuant to which Mr. Yau and Ms. Sz transferred their entire shareholding interest in AL Design to AL Group International (being the nominee of our Company), in consideration of (i) our Company allotting and issuing 49 Shares to Legend Investments credited as fully paid and (ii) our Company crediting the one nil-paid Share previously transferred to Legend Investments as fully paid;
- (b) the sale and purchase agreement dated 15 June 2016 entered into among AL Group International, Mr. Yau, Ms. Sz and our Company pursuant to which Mr. Yau and Ms. Sz transferred their entire shareholding interest in Legend One to AL Group International (being the nominee of our Company), in consideration of our Company allotting and issuing 50 Shares to Legend Investments credited as fully paid;
- (c) the Deed of Indemnity;

- (d) the Deed of Non-Competition; and
- (e) the Public Offer Underwriting Agreement.

## 8. Intellectual Property Rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group is applying for the registration of the following trademark:

| Trademark application number | Trademark                                                                         | Applicant | Class | Place of application | Application date |
|------------------------------|-----------------------------------------------------------------------------------|-----------|-------|----------------------|------------------|
| 303663478                    |  | AL Design | 42    | Hong Kong            | 19 January 2016  |
|                              |  |           |       |                      |                  |

As at the Latest Practicable Date, our Group has registered the following trademark:

| Trademark                                                                           | Registered Owner | Class | Place of registration | Trade Mark No. | Expiry date      |
|-------------------------------------------------------------------------------------|------------------|-------|-----------------------|----------------|------------------|
|  | AL Design        | 42    | Hong Kong             | 301193067      | 1 September 2018 |

### (b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

| Domain name         | Date of registration | Expiry date     |
|---------------------|----------------------|-----------------|
| www.AL-Grp.com      | 12 January 2016      | 12 January 2026 |
| www.aldesign.com.hk | 24 April 2003        | 26 April 2020   |

Information contained in the above website does not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

## FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

## 9. Directors

(a) *Particulars of service contracts and letters of appointment*

Each of Mr. Yau, Ms. Wu and Ms. Sz, being all our executive Directors, has entered into a service contract with our Company. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

- (i) each service contract is of one year commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the service agreement;
- (ii) the initial annual salary for each of Mr. Yau, Ms. Wu and Ms. Sz is set out below, such salary to be reviewed annually by the Board and the remuneration committee of our Company; and
- (iii) each of our executive Directors is entitled to such management bonus by reference to the consolidated net profits of our Group after taxation and minority interests but before extraordinary items as the Board and the remuneration committee of our Company 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 the Board approving the amount of annual salary, management bonus and other benefits payable to him.

The current basic annual salaries of our executive Directors are as follows:

| <u>Name</u> | <u>Amount</u> |
|-------------|---------------|
| Mr. Yau     | HK\$1,440,000 |
| Ms. Wu      | HK\$600,000   |
| Ms. Sz      | HK\$960,000   |

Each of Mr. Neo, Mr. Lau and Ms. Lee, being all our independent non-executive Directors, has entered into a letter of appointment with our Company. Each letter of appointment is for an initial term commencing on the Listing Date, and shall continue for a term of one year from the Listing Date and will continue thereafter until terminated in accordance with the terms of the letter of appointment.

The current basic annual salaries of our independent non-executive Directors are as follows:

| <u>Name</u> | <u>Amount</u> |
|-------------|---------------|
| Mr. Neo     | HK\$260,000   |
| Mr. Lau     | HK\$240,000   |
| Ms. Lee     | HK\$260,000   |

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

**(b) *Directors' remuneration***

During the Track Record Period, the aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by our Group to our Directors was approximately HK\$1,399,000 and HK\$1,947,500 for the years ended 31 December 2014 and 2015 respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to the Director) payable by our Group to and benefits in kind receivable by our Directors for the year ended 31 December 2016 is estimated to be approximately HK\$3,760,000.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the two years ended 31 December 2015 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a 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.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31 December 2015.

**(c) *Interests and short positions of Directors in the share, underlying shares or debentures of our Company and its associated corporations***

Immediately following completion of the Share Offer and the Capitalisation Issue (but not taking into account of any Shares that may be allotted and issued pursuant to the exercise of any option(s) which may be granted under the Share Option Scheme), the interests or short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of

Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the GEM Listing Rules, will be as follows:

| <b>Name</b> | <b>Capacity/Nature<br/>of interest</b>                  | <b>Number of<br/>Shares held after<br/>the Share Offer<sup>Note 1</sup></b> | <b>Percentage<br/>of shareholding after<br/>the Share Offer</b> |
|-------------|---------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------|
| Mr. Yau     | Interest in controlled<br>corporation <sup>Note 2</sup> | 360,000,000<br>Shares (L)                                                   | 75%                                                             |
| Ms. Sz      | Interest in controlled<br>corporation <sup>Note 3</sup> | 360,000,000<br>Shares (L)                                                   | 75%                                                             |
| Ms. Wu      | Family Interest <sup>Note 4</sup>                       | 360,000,000<br>Shares (L)                                                   | 75%                                                             |

*Notes:*

- (1) The Letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of Legend Investments is legally and beneficially owned as to 80% by Mr. Yau and as to 20% by Ms. Sz. Accordingly, Mr. Yau is deemed to be interested in 360,000,000 Shares held by Legend Investments by virtue of the SFO. Mr. Yau is an executive Director.
- (3) The entire issued share capital of Legend Investments is legally and beneficially owned as to 80% by Mr. Yau and as to 20% by Ms. Sz. Accordingly, Ms. Sz is deemed to be interested in 360,000,000 Shares held by Legend Investments by virtue of the SFO. Ms. Sz is an executive Director.
- (4) Ms. Wu is the spouse of Mr. Yau and is therefore deemed to be interested in all the Shares held/owned by Mr. Yau (by himself or through Legend Investments) by virtue of SFO. Ms. Wu is an executive Director.

**10. Interest discloseable under the SFO and substantial shareholders**

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, based on the information available on the Latest Practicable Date, 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 and the Stock Exchange 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:

| <u>Name</u>        | <u>Capacity/Nature of interest</u>                   | <u>Number of Shares held after the Share Offer<sup>Note 1</sup></u> | <u>Percentage of shareholding after the Share Offer</u> |
|--------------------|------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------|
| Mr. Yau            | Interest in controlled corporation <sup>Note 2</sup> | 360,000,000 Shares (L)                                              | 75%                                                     |
| Ms. Sz             | Interest in controlled corporation <sup>Note 2</sup> | 360,000,000 Shares (L)                                              | 75%                                                     |
| Ms. Wu             | Family Interest <sup>Note 3</sup>                    | 360,000,000 Shares (L)                                              | 75%                                                     |
| Legend Investments | Beneficial owner                                     | 360,000,000 Shares (L)                                              | 75%                                                     |

*Notes:*

- (1) The Letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of Legend Investments is legally and beneficially owned as to 80% by Mr. Yau and as to 20% by Ms. Sz. Accordingly, Mr. Yau and Ms. Sz is deemed to be interested in 360,000,000 Shares held by Legend Investments by virtue of the SFO.
- (3) Ms. Wu is the spouse of Mr. Yau and is therefore deemed to be interested in all the Shares held/owned by Mr. Yau (by himself or through Legend Investments) by virtue of SFO. Ms. Wu is an executive Director.

**11. Related party transactions**

During the two years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in note 26 to the Accountant’s 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 Share Offer or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Share Offer and the Capitalisation 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 nominal 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 or chief executive of our Company has any interests and short positions 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 which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or 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, in each case once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in the paragraph headed “20. Qualifications and consents of experts” below has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors nor the experts named in the paragraph headed “20. Qualification and consents of experts” below 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 taken as a whole;
- (e) none of the experts named in the paragraph headed “20. Qualifications and consents of experts” below has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group; and

- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

### 13. Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, which was approved by written resolutions passed by the sole Shareholder on 15 June 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

#### (a) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

#### (b) *Who may join and basis of eligibility*

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of our Group.

#### (c) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

**(d) *Grant of options and acceptance of offers***

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

**(e) *Maximum number of Shares***

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from its adoption date (excluding, for this purpose, Shares issuable upon the exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 48,000,000 Shares (or such numbers of Shares as shall result from a subdivision or a consolidation of such 48,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (iii) Our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon the 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

Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in the limit being exceeded.

**(f) *Maximum entitlement of each participant***

The total number of Shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of our Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted to such grantee must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

**(g) *Grant of options to certain connected persons***

- (i) Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates will result in the total number of Shares issued and to be issued upon the exercise of all options already granted and to be granted to such person under the Share Option Scheme (including options exercised, cancelled and outstanding) and any other share option schemes of our Company to such person in any 12-month period up to and including the date of grant:
  - (a) representing in aggregate over 0.1% of the Shares in issue; and
  - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associate and all core connected persons of our Company shall abstain from voting (except where any of such person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option

granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

**(h) *Restrictions on the times of grant of options***

- (i) No offer for the grant of options may be made after any inside information has come to the knowledge of our Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. No option may be granted during the period commencing one month immediately preceding the earlier of:
  - (a) the date of the Board meeting (such date to first be 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 or other interim period (whether or not required under the GEM Listing Rules); and
  - (b) the deadline for our Company to publish an announcement of the results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules).
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
  - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
  - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

**(i) *Time of exercise of option***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

**(j) *Ranking of Shares***

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association 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 allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or

recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

**(k) *Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management as determined by the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion).

**(l) *Rights on cessation of employment by death***

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (m) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

**(m) *Rights on cessation of employment by dismissal***

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group by reason of a termination of his/her employment on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

**(n) *Rights on cessation of employment for other reasons***

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (m) above,

the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

**(o) *Effects of alterations to share capital***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised, and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he/she/it was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

**(p) *Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

**(q) *Rights on winding-up***

In the event a notice is given by our Company to the 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 on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon

as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

**(r) *Rights on compromise or arrangement***

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors of our Company to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

**(s) *Lapse of options***

Subject to paragraph (l) above, an option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;

- (ii) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (k);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (l), (n), (p), (q) or (r) above;
- (iv) subject to paragraph (q) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) becoming effective, the date on which such compromise or arrangement becomes effective.

**(t) *Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

**(u) *Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing on its adoption date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

**(v) *Alteration to the Share Option Scheme***

- (i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options and the prospective grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

- (ii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must 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) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

**(w) *Termination of the Share Option Scheme***

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

**(x) *Conditions of the Share Option Scheme***

The Share Option Scheme is conditional upon the Listing Division granting the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

*Present status of the Share Option Scheme*

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

## OTHER INFORMATION

## 14. Tax and other indemnities

Each of Legend Investments, Mr. Yau and Ms. Sz (the “**Indemnifiers**”) has, pursuant to the Deed of Indemnity, given indemnity in favour of our Group from and against, among other things, any tax liabilities which might be paid or payable by any member of our Group (the “**Group Member(s)**”) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save:

- (a) to the extent that provision has been made for such taxation in the audited combined accounts of our Group as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in laws or regulations or the interpretation or practice by the Hong Kong Inland Revenue Department or any other tax or government authorities in any part of the world coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, our Group Member which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the Deed of Indemnity becomes effective (the “**Effective Date**”);
- (d) to the extent that such taxation or liability is/are discharged by another person who is not a Group Member and that none of our Company and Group Members is required to reimburse such person in respect of the discharge of such taxation or liability;
- (e) to the extent that such taxation or liability would not have arisen but for any act or omission by any Group Member (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date hereof or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; and
- (f) to the extent of any provisions or reserve made for taxation in the audited accounts of our Group as set out in Appendix I to this prospectus which is finally established to be an over-provision or an excessive reserve.

Further, pursuant to the Deed of Indemnity, the Indemnifiers have jointly and severally given indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any of Group Member by reason of any transfer of property to any of the members of our Group on or before the Listing Date. Our Directors have been advised that no

material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the British Virgin Islands, being jurisdictions in which the companies comprising our Group are incorporated.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers have agreed and undertaken to jointly and severally indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against, save to the extent that full provision has been made as set out in Appendix I to this prospectus, all claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in the future as a result of or in connection with:

- (a) any and all expenses, payments, sums, outgoing fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any Group Members incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of, the Companies Ordinance, its predecessor ordinance (formerly known as the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong);
- (b) any and all costs which our Company or any Group Members may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any failure to obtain the necessary licenses, consents or permits under Hong Kong Laws for any Group Member's valid and legal establishment and/or operation on or before the Effective Date;
- (c) any and all costs which any Group Members may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any errors, discrepancies or missing documents in the statutory records of any Group Members arising or accruing in relation to any Group Members on or before the Effective Date; and
- (d) all direct losses and damages that we may suffer as a result of the breach of non-compliance incidents as disclosed in this prospectus.

## **15. Litigation**

Save as disclosed herein, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

## **16. Sole Sponsor**

The Sole 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 Offer Shares and any Shares which may fall to be

allotted and issued pursuant to (a) the Capitalisation Issue; and (b) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date.

The Sole Sponsor has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor's fees in connection with the Share Offer are approximately HK\$4.0 million.

#### **17. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company has appointed VBG Capital Limited as its compliance adviser to provide consultancy 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 the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

#### **18. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$98,000 and are payable by our Company.

#### **19. Promoters**

Our Company does not have any promoter (as defined in the GEM Listing Rules).

#### **20. Qualifications and consents 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:

| <u>Name</u>                       | <u>Qualification</u>                                                                                                                                     |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| VBG Capital Limited               | Licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| PricewaterhouseCoopers            | Certified public accountants                                                                                                                             |
| Conyers Dill & Pearman            | Cayman Islands Attorneys-at-law                                                                                                                          |
| Euromonitor International Limited | Independent industry consultant                                                                                                                          |
| Commerce & Finance Law Offices    | Legal counsel as to PRC law                                                                                                                              |
| Mr. Vincent Shun Chi Kee          | Hong Kong Barrister-at-law                                                                                                                               |

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

## **21. 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 (WUMP) Ordinance so far as applicable.

## **22. Taxation of holders of Shares**

### **(a) *Hong Kong***

#### **(i) *Profits***

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealings in securities in Hong Kong.

#### **(ii) *Stamp duty***

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

#### **(iii) *Estate duty***

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

**(b) *The Cayman Islands***

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(c) *Consultation with professional advisers***

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealings in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealings in the Shares or exercising any rights attaching to them.

**23. Miscellaneous**

- (a) Save as disclosed in this prospectus, within two years preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or of any of its 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 (other than under the Underwriting Agreements) 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 its subsidiaries;
  - (iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries; and
  - (iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) Saved as disclosed in this prospectus, no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2015 (being the date to which the latest audited combined financial statements of our Group were made up);
- (d) 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;

- (e) None of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;
- (f) None of our Directors nor any of the persons whose names are listed in paragraph headed “20. Qualification and consents of experts” in this Appendix has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (g) There has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 24 months preceding the date of this prospectus;
- (h) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands;
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS;
- (j) There is no arrangement under which future dividends have been waived;
- (k) No company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (l) In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Other information — 20. Qualifications and consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Further Information about the Business of our Group — 7. 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 office of Robertsons, at 57/F., The Center, 99 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 Memorandum and Articles of Association of our Company;
- (b) the accountant’s report of our Group dated 29 June 2016 prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I — “Accountant’s Report”;
- (c) the report dated 29 June 2016 on unaudited pro forma financial information of our Group issued by PricewaterhouseCoopers, the text of which is set out in Appendix II — “Unaudited Pro Forma Financial Information”;
- (d) the audited combined financial statements of our Group for each of the years ended 31 December 2014 and 2015;
- (e) the rules of the Share Option Scheme;
- (f) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Companies Law referred to in Appendix III — “Summary of the Constitution of our Company and Cayman Islands Company Law”;
- (g) the legal opinions issued by our Hong Kong Legal Counsel in respect of certain statements referred to in this prospectus;
- (h) the Cayman Companies Law;
- (i) the material contracts referred to in the paragraph headed “Further information about the business of our Group — 7. Summary of material contracts” in Appendix IV to this prospectus;

- (j) the written consents referred to in the section headed “Other information — 20. Qualifications and consents of experts” in Appendix IV to this prospectus;
- (k) the service contracts referred to in the paragraph headed “Further information about Directors, Management and Staff — 9. Directors — (a) Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus;
- (l) the report prepared by Euromonitor relating to, among other things, the interior design industry in Hong Kong referred to in the section headed “Industry Overview” in this prospectus; and
- (m) the legal opinion issued by our PRC Legal Advisers in respect of a statement referred to in this prospectus.

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AL GROUP LIMITED  
利駿集團(香港)有限公司