

ECI Technology Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock code: 8013

LISTING BY WAY OF SHARE OFFER

Sponsor

SUNWAH KINGSWAY

新華滙富

Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers

SUNWAH KINGSWAY

新華滙富

Kingsway Financial Services Group Limited

平安 證券有限公司
Ping An Securities Limited



鼎成證券有限公司
GRANSING SECURITIES CO., LIMITED

IMPORTANT

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

ECI Technology Holdings Limited

(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 : 400,000,000 Shares
Number of Placing Shares : 360,000,000 Shares (subject to re-allocation), comprising 260,000,000 New Shares and 100,000,000 Sale Shares
Number of Public Offer Shares : 40,000,000 Shares (subject to re-allocation)
Offer Price : Not more than HK\$0.17 per Offer Share and not less than HK\$0.13 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 8013

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 Hong Kong" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on or before 6:00 p.m. on the Price Determination Date. The Offer Price is expected to be not more than HK\$0.17 per Offer Share and not less than HK\$0.13 per Offer Share. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) are unable to reach an agreement on the Offer Price by 9:00 p.m. (Hong Kong time) on the Price Determination Date, the Share Offer will not proceed and will lapse.

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may, with the consent of our Company (for itself and on behalf of the Selling Shareholder), reduce the indicative Offer Price range and/or the number of Offer Shares 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, announcement of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be made on our Company's website at www.ecinfohk.com and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus. Pursuant to the termination provisions contained in the Underwriting Agreements, the Joint Lead Managers (for themselves and on behalf of the Underwriters) have the right in certain circumstances, in their absolute determination, to terminate the obligations of the Joint Bookrunners and the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out in the paragraph headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus. It is important that you refer to the said sections for further details.

27 February 2017

CHARACTERISTICS OF GEM

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher 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.

EXPECTED TIMETABLE

If there is any change to the following expected timetable, we will publish an announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.ecinfohk.com.

Date⁽¹⁾

2017

Latest time for completing electronic applications under HK eIPO White Form services through the designated website at www.hkeipo.hk ⁽²⁾⁽⁴⁾	11:30 a.m. on Thursday, 2 March
Application lists of Public Offer open ⁽²⁾	11:45 a.m. on Thursday, 2 March
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Thursday, 2 March
Latest time for completing payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 2 March
Application lists of Public Offer close ⁽²⁾	12:00 noon on Thursday, 2 March
Expected Price Determination Date ⁽⁵⁾	on or around Friday, 3 March
Announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares under the Public Offer to be published on our Company's website at www.ecinfohk.com and the website of the Stock Exchange at www.hkexnews.hk on or before	Thursday, 9 March

EXPECTED TIMETABLE

Date⁽¹⁾
2017

Results of allocations in the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels as described in the paragraph headed "How to apply for Public Offer Shares – 11. Publication of results" in this prospectus Thursday, 9 March

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function from Thursday, 9 March

Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁶⁾ Thursday, 9 March

Despatch/collection of refund cheques or **HK eIPO White Form e-Auto Refund** payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁶⁾ Thursday, 9 March

Dealings in the Shares on GEM expected to commence at 9:00 a.m. on
Friday, 10 March

Notes:

- 1 All times and dates refer to Hong Kong local time and date unless otherwise stated in this prospectus. 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 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. to 12:00 noon on Thursday, 2 March 2017, the application lists will not open or close on that day. Further information is set out in the paragraph headed "10. How to apply for Public Offer Shares – Effect of bad weather on the opening of the application lists" in this prospectus.
- 3 Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed "How to apply for Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

EXPECTED TIMETABLE

- 4 You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- 5 The Price Determination Date is expected to be on or around Friday, 3 March 2017 and, in any event, not later than Wednesday, 8 March 2017. If, for any reason, the final Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) by Wednesday, 8 March 2017, the Share Offer will not proceed and will lapse.
- 6 Refund cheques or e-Auto Refund payment instruction will be used in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identify card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

Applicants who have applied on **WHITE Application Forms** or **HK eIPO White Form** for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Share Registrar, 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 Thursday, 9 March 2017. Applicant being individuals who is eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW Application Forms** for 1,000,000 or more Public Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW Application Form** applicants are the same as those for **WHITE Application Form** applicants.

Applicants who have applied on Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the paragraph headed "How to apply for Public Offer Shares – 14. Despatch/Collection of share certificates and refund monies" in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

EXPECTED TIMETABLE

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the paragraph headed "How to apply for Public Offer Shares – 13. Refund of application monies" and "How to apply for Public Offer Shares – 14. Despatch/Collection of shares certificates and refund monies" in this prospectus.

Share certificates will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination described in the paragraph headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus has not been exercised and has lapsed. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer in Hong Kong and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute an offer to sell or solicitation of an offer or invitation 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 in Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and therefore does not contain all the information which 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. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.

OVERVIEW

We provide ELV solutions primarily on central control monitoring systems to our customers in Hong Kong. Central control monitoring systems refer to all of the wide variety of systems relating to management of a single block of building, residential development, commercial and industrial buildings, sewage treatment facilities, hospitals or other government facilities. The key central control monitoring systems we install and maintain include security systems, car park systems, clubhouse management systems, etc. As the central control monitoring systems cover a wide variety of ELV solutions, our top 10 installation projects during each of the two years ended 31 August 2015 and 2016 primarily involved central control monitoring systems. Please refer to the paragraph headed “Business – Projects – Our top 10 installation projects by revenue” below in this section for further details. In addition, we also provide ELV solutions on telecommunications and broadcasting services systems such as CABD System and SMATV System and our top 10 installation projects during each of the two years ended 31 August 2015 and 2016 also included upgrading of digital terrestrial television for our customer. During the Track Record Period, all of our revenue was generated from the installation of various systems and provision of maintenance service in Hong Kong. According to the F&S Report, the total sales revenue in the ELV integrated service market recorded approximately HK\$430.5 million in 2015. The competition in Hong Kong ELV market was relatively concentrated with the top five competitors together occupying approximately 72.3% market share of the overall sales revenue. Our company shared about 14.5% of the industry revenue in 2015. For further details, please refer to the section headed “Industry overview” in this prospectus.

We had undertaken 4,752 installation projects and 1,035 maintenance projects during the Track Record Period, which involves customers from both the public and private sectors. For the two years ended 31 August 2016, our projects from the private sector generated 74.1% and 59.8% of our total revenue, respectively.

SUMMARY

BUSINESS MODEL

Our Group's revenue is derived from the installation of various systems and provision of maintenance service during the Track Record Period. We recognise our revenue by reference to the stage of completion of the contract at the end of the financial reporting period. Our customers come from both private and public sectors. We source hardware as well as systems from our suppliers and outsource to our subcontractors certain installation works.

The following table sets forth a breakdown of our revenue by our two service types during the Track Record Period:

Service type	Year ended 31 August			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Installation	30,262	54.0	49,146	61.2
Maintenance	<u>25,804</u>	<u>46.0</u>	<u>31,192</u>	<u>38.8</u>
Total	<u><u>56,066</u></u>	<u><u>100.0</u></u>	<u><u>80,338</u></u>	<u><u>100.0</u></u>

The following table sets out the breakdown of installation projects in terms of revenue recognised during the Track Record Period by range of revenue:

No. of installation projects	Year ended 31 August	
	2015	2016
HK\$500,000 or above	10	12
HK\$100,000 to below HK\$500,000	33	46
Below HK\$100,000	<u>1,894</u>	<u>2,771</u>
Total	<u><u>1,937</u></u>	<u><u>2,829</u></u>

SUMMARY

The following table sets out the breakdown of maintenance projects in terms of revenue recognised during the Track Record Period by range of revenue:

No. of maintenance projects	Year ended 31 August	
	2015	2016
HK\$100,000 or above	16	22
HK\$50,000 to below HK\$100,000	17	22
Below HK\$50,000	<u>668</u>	<u>767</u>
Total	<u>701</u>	<u>811</u>

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

Customer type	Year ended 31 August			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector	14,512	25.9	32,264	40.2
Private sector	<u>41,554</u>	<u>74.1</u>	<u>48,074</u>	<u>59.8</u>
Total	<u>56,066</u>	<u>100.0</u>	<u>80,338</u>	<u>100.0</u>

Our ELV solutions are primarily on central control monitoring systems. We also provide ELV solutions on telecommunications and broadcasting services systems.

CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

All our business was awarded by tenders during the Track Record Period. Invitations to tender from the private sector may generally be received by calls, posts, faxes or during the performance of maintenance work, while tender invitations from the public sector may generally be published in the Government Gazette or received by letter.

Our Executive Directors and sales team (if installation) and our customer team (if maintenance) review and evaluate invitations to tender and decide whether to bid for the project. The key factors on whether to proceed with the tender include but not limited to whether we have obtained the relevant licences and qualification to complete the project, whether we have the capacity to complete the project on time and up to standard, the complexity of the project and the estimated costs.

SUMMARY

The following table sets out our success rates by service type during our Track Record Period based on our internal record:

Service type	Year ended 31 August					
	2015	2015	Success	2016	2016	Success
	Number of	Number of	rate	Number of	Number of	rate
	tender	tender	(%)	tender	tender	(%)
	submissions	successful		submissions	successful	
		tender			tender	
Installation	6,959	1,914	27.5	7,801	2,815	36.1
Maintenance – new	467	109	23.3	448	99	22.1
Maintenance – renewal	<u>224</u>	<u>157</u>	70.1	<u>302</u>	<u>235</u>	77.8
Total	<u>7,650</u>	<u>2,180</u>	<u>28.5</u>	<u>8,551</u>	<u>3,149</u>	<u>36.8</u>

During the Track Record Period, we recorded relatively low success rates for installation and new maintenance projects. It is due to our pro-active strategy to prepare and submit as many tenders as we could in order to secure as many projects as we could during the Track Record Period. In this way, we would build up our customer network as fast as we can. Nevertheless, the success rates of our tenders for installation works and maintenance works increased for the year ended 31 August 2016 when comparing with the success rates for the year ended 31 August 2015. As we have submitted more tenders in the year ended 31 August 2016, the increase in the success rate is consistent with the increase in the number of projects we entered into as well as the increase in our revenue for such year. In addition, the increase in success rate did not have any material adverse impact on our gross profit margin given that our overall gross profit margin during the Track Record Period had an increase of approximately 4.6%. Please also refer to the paragraph headed “Financial information – Description of selected components of combined statements of profit or loss and other comprehensive income – Gross profit and gross profit margin” for details.

We serve customers in both private and public sectors such as property developers and property management companies in the private sector and various Government departments in the public sector. We had served approximately 130 customers for each of the two years ended 31 August 2015 and 2016, respectively. The revenue generated from our five largest customers in aggregate accounted for approximately 60.8% and 70.1% of our total revenue for the two years ended 31 August 2016 respectively. For details of our Group’s customers, please refer to the paragraph headed “Business – Customers” in this prospectus.

We source hardware such as security cameras, display devices, cables and wires, and electronic and electrical components, as well as systems such as smartcard and access control systems from local and overseas suppliers. Our five largest suppliers accounted for approximately 36.5% and 35.3% of our total cost of material and equipment for the two years ended 31 August 2016 respectively. For details of our Group’s suppliers, please refer to the paragraph headed “Business – Suppliers” in this prospectus.

SUMMARY

We outsource to subcontractors certain installation work including technical installation (such as conduit laying and cable installations), electrical maintenance and software programming. Our subcontracting payment attributable to our five largest subcontractors collectively accounted for approximately 83.5% and 66.3% of our total subcontracting fee for the two years ended 31 August 2016 respectively. For details of our Group's subcontractors, please refer to the paragraph headed "Business – Outsourcing" in this prospectus.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success:

- we are an established ELV solutions provider holding various qualifications and licences;
- we have an established customer base;
- we have experience in a substantial number of sites in Hong Kong;
- we have a stable and experienced management team; and
- we have established relationship with suppliers and subcontractors.

For details, please refer to the paragraph headed "Business – Competitive strengths" in this prospectus.

BUSINESS STRATEGIES

We strive to expand our business and strengthen our market position in Hong Kong by implementing the following strategies:

- to expand our existing ELV solutions business by offering instalment payment option to our customers;
- to obtain additional licences and qualifications;
- to reduce our gearing ratio by repaying a certain bank borrowing in an one-off manner; and
- to strengthen our maintenance teams by purchasing equipment and developing new software.

For details of our business strategies, please refer to the paragraph headed "Business – Business strategies" in this prospectus.

SUMMARY

SHAREHOLDERS' INFORMATION

Upon Listing, ECI Asia will directly hold 75% of the total issued share capital of our Company (without taking into account any Shares which may be issued upon the exercise of share options granted under the Share Option Scheme). ECI Asia is an investment holding company incorporated on 26 August 2016 in the BVI. The entire issued share capital of ECI Asia is owned by Dr. Ng. Dr. Ng and ECI Asia are therefore the Controlling Shareholders of our Company.

None of our Controlling Shareholders nor any of their respective associates had interests in any other companies that compete or are likely to compete, either directly or indirectly, with the business of our Group during the Track Record Period and as at the Latest Practicable Date. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

SUMMARY FINANCIAL INFORMATION

Key Financial Information

	For the year ended	
	31 August	
	2015	2016
	HK\$'000	HK\$'000
Results of operation of our Group		
Revenue	56,066	80,338
Gross profit	16,325	27,073
Profit before taxation	9,087	12,880
Profit for the year	7,565	10,243

Revenue

During the Track Record Period, our Group's revenue increased from HK\$56.1 million for the year ended 31 August 2015 to HK\$80.3 million for the year ended 31 August 2016, representing revenue growth of 43.3%. The increase in revenue contribution from installation and maintenance services amounted to approximately HK\$18.9 million and HK\$5.4 million respectively.

Our gross profit for each of the two years ended 31 August 2016 amounted to HK\$16.3 million and HK\$27.1 million respectively, representing gross profit margin of 29.1% and 33.7% respectively.

SUMMARY

Gross profit and gross profit margin

The following table sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by service types:

	Year ended 31 August			
	2015		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>
Installation	12,150	40.1	24,072	49.0
Maintenance	<u>4,175</u>	<u>16.2</u>	<u>3,001</u>	<u>9.6</u>
Total	<u><u>16,325</u></u>	<u><u>29.1</u></u>	<u><u>27,073</u></u>	<u><u>33.7</u></u>

The gross profit margin of our installation service segment during the Track Record Period is higher as compared to that of the maintenance segment primarily because (i) we tend to offer our maintenance services with lower gross profit margin in order to attract more projects and further establish our reputation in the industry; and (ii) we are the subcontractor of several maintenance works and the gross profit margin of subcontractor tends to be lower.

For installation services, our gross profits were approximately HK\$12.2 million and HK\$24.1 million for each of the two years ended 31 August 2016 respectively. Our gross profit margins were approximately 40.1% and 49.0% for each of the two years ended 31 August 2016 respectively. The gross profit margin for installation services for the year ended 31 August 2016 increased primarily because the Group relied less on subcontractors and used its installation team to perform the related works in a more cost effective manner. As a result, the subcontracting costs for installation projects decreased to approximately 23.7% of the total cost of sale for installation projects for the year ended 31 August 2016 from approximately 58.0% for the year ended 31 August 2015 while the direct labour costs increased from approximately 12.9% for the year ended 31 August 2015 to approximately 21.9% of the total cost of sale for installation projects for the year ended 31 August 2016.

SUMMARY

For maintenance services, our gross profits were approximately HK\$4.2 million and HK\$3.0 million for each of the two years ended 31 August 2016 respectively. Our gross profit margins were 16.2% and 9.6% for each of the two years ended 31 August 2016 respectively. The gross profit margin for the year ended 31 August 2015 was higher as compared to the year ended 31 August 2016 primarily because of the project (project code P21) with Customer A, which had a lower profit margin and commenced in December 2014 during the financial year ended 31 August 2015. The lower gross profit margin was due to the combined effect of (i) the 28.3% increase in maintenance income from approximately HK\$10.5 million for the year ended 31 August 2015 to approximately HK\$13.5 million for the year ended 31 August 2016 and (ii) the increase in direct labour cost for the year ended 31 August 2016 as compared to the year ended 31 August 2015 due to the Group hiring additional technicians to support the project, which increased from approximately HK\$8.0 million to HK\$12.3 million, representing 53.5% growth. Hence, the gross profit margin dropped from 16.2% for the year ended 31 August 2015 to 9.6% for the year ended 31 August 2016.

Net profit margin

Our net profit margin were approximately 13.5% and 12.7% for the year ended 31 August 2015 and 2016 respectively. We incurred more expenses in connection with the Listing, which had led to the decline in our net profit margin.

Cost of Sales

Set forth below are the details of our cost of sales during the Track Record Period:

	Year ended 31 August			
	2015		2016	
	<i>HKD'000</i>	%	<i>HKD'000</i>	%
Material and equipment	11,499	28.9	16,025	30.1
Direct labour	17,305	43.5	26,903	50.5
Subcontracting cost	9,030	22.8	6,784	12.7
Others	<u>1,907</u>	<u>4.8</u>	<u>3,553</u>	<u>6.7</u>
Total	<u><u>39,741</u></u>	<u><u>100.0</u></u>	<u><u>53,265</u></u>	<u><u>100.0</u></u>

SUMMARY

	As at 31 August	
	2015	2016
	HK\$'000	HK\$'000
Net current assets		
Current assets	32,928	34,306
Current liabilities	21,326	25,533
Net current assets	11,602	8,773

Cash Flow

The following table summarises the net cash flow of our activities for the Track Record Period:

	For the year ended	
	31 August	
	2015	2016
	HK\$'000	HK\$'000
Operating profit before movements in working capital	9,929	14,047
Net cash generated from operating activities	2,418	1,445
Net cash used in investing activities	(3,550)	(8,280)
Net cash (used in) from financing activities	(3,407)	3,895
Net decrease in cash and cash equivalents	(4,539)	(2,940)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	8,693	5,753

Our cash and cash equivalents balance was approximately HK\$8.7 million as at 31 August 2015 and decreased to approximately HK\$5.8 million as at 31 August 2016, mainly due to increased cash outflow from investing activities of approximately HK\$3.9 million during the year ended 31 August 2016 as compared to the year ended 31 August 2015, mainly due to increase in advance to a director of approximately HK\$7.3 million during the year ended 31 August 2016.

SUMMARY

Our net cash generated from operating activities decreased from approximately HK2.4 million for the year ended 31 August 2015 to approximately HK\$1.4 million for the year ended 31 August 2016, mainly due to the combined effect of i) the increase in profit before taxation of approximately HK\$3.8 million during the year ended 31 August 2016 and ii) the decrease in trade payables of approximately HK\$2.4 million as we settled more overdue balances to our suppliers during the year ended 31 August 2016 as compared to the increase in trade payables of approximately HK\$1.9 million for the year ended 31 August 2015.

Key Financial Ratios

The following table shows certain key financial ratios as at the dates or for the periods indicated:

	For the year ended/as at	
	31 August	
	2015	2016
Gross profit margin	29.1%	33.7%
Net profit margin	13.5%	12.7%
Current ratio (times)	1.5	1.3
Quick ratio (times)	1.5	1.3
Gearing ratio (times) (<i>Note 1</i>)	0.8	1.2
Net debt to equity (times)	0.3	0.8
Return on equity	42.9%	65.8%
Return on total assets	18.7%	24.0%
Interest coverage ratio (times)	19.1	31.2

Note 1: Gearing ratio is calculated by net debt over total equity as at the end of the respective year. Net debt includes all interest-bearing loans and obligation under finance leases, net of cash and cash equivalent.

Increase in trade receivables during the Track Record Period and mismatch in turnover days for trade receivables and trade payables

Our trade receivables primarily consist of amount receivables from customers for installation of various systems and provision of maintenance service during the Track Record Period. The balance of trade receivables increased from HK\$12.8 million as at 31 August 2015 to HK\$18.5 million as at 31 August 2016. The increase was mainly due to several sizable installation projects and maintenance works which were completed close to the financial year end as at 31 August 2016 and they were not due for settlement as at 31 August 2016.

SUMMARY

For the two years ended 31 August 2016, our trade receivables turnover days were approximately 66 days and 71 days whereas our trade payables turnover days were approximately 45 days and 32 days, respectively. As such, our credit periods for payment to our suppliers is generally shorter than that we offered to our customers and thus, our cash inflow and outflow may be mismatched. In accordance with our Group's cash monitoring policy, weekly trade receivables aging report will be sent out to customer services team and monthly trade receivables aging report will be reviewed and approved by Directors. For invoices which are outstanding for over 30 or more days, the customer services team will contact with the person-in-charge on site directly to follow up with the settlement process. Upon approval from Directors, suspension of services, warning letters or legal action may be taken. This procedure will allow the management to monitor on the outstanding balances and minimise the liquidity risk arising from the mismatch between trade receivables and trade payables turnover days.

The Directors confirmed that as at Latest Practicable Date, approximately 80.5% of the outstanding trade receivables which were overdue as at 31 August 2016 was subsequently settled. Taking into consideration of the assessment performed by the internal control advisers, we consider the credit control policy is effective as 80.5% of the outstanding trade receivable balance which was overdue as at 31 August 2016 was subsequently settled since the implementation of the credit control policy in September 2016.

Our suppliers and subcontractors normally grant us a credit period within 30 to 60 days. As at Latest Practicable Date, approximately HK\$2.8 million of our trade payables balance as at 31 August 2016 had been settled. For the trade payables that had been outstanding for over 90 days, approximately of HK\$0.3 million of them had been settled as at Latest Practicable Date.

For details, please refer to the paragraph headed "Financial information – Description of selected components of combined statements of financial position – Increase in trade receivables during the Track Record Period and mismatch in turnover days for trade receivables and trade payables" in this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, our business and revenue model remained unchanged. Our Directors have not noticed any material delay or interruption for our existing projects which would have material adverse impact on our financial and operating position.

SUMMARY

Based on our installation contracts on hand, the value of our installation projects in progress (representing the estimated total outstanding contract value for our uncompleted work) as at 31 August 2016 was approximately HK\$4.1 million, of which HK\$2.8 million has been recognised as at the Latest Practicable Date and HK\$1.3 million are expected to be recognised in the year ending 31 August 2017. Based on our maintenance contracts on hand, the value of our maintenance projects in progress (representing the estimated total outstanding contract value for our services to be provided) as at 31 August 2016 was approximately HK\$25.2 million, of which HK\$7.9 million has been recognised as at the Latest Practicable Date and HK\$8.9 million and HK\$8.4 million are expected to be recognised in the years ending 31 August 2017 and 2018, respectively.

Moreover, the value of our installation projects in progress as at the Latest Practicable Date was approximately HK\$9.2 million. During the Track Record Period, more than 90% of our installation projects had a contract sum of less than HK\$100,000, and the contract periods of those projects with such relatively smaller contract value were generally within one month. We generally enter into such contracts with the customers within one month before the commencement of our works. Thus our estimated total outstanding contract value for installation contracts on hand as at a particular point of time, for example, the Latest Practicable Date, represents only a small portion of the Group's revenue for each year during the Track Record Period.

The total amount of the expenses and underwriting commission in connection with the Listing is approximately HK\$18.0 million. We incurred approximately HK\$2.7 million of Listing expenses during the Track Record Period. An additional amount of approximately HK\$8.8 million will be charged to the profit or loss for the year ending 31 August 2017. Prospective investors should note that the financial performance of the Group for the year ending 31 August 2017 would be materially and adversely affected by the estimated Listing expenses. For details, please refer to the paragraphs headed "Listing expenses" in this section and "Financial information – Listing expenses" in this prospectus.

Saved as disclosed above, our Directors confirmed that subsequent to the Track Record Period and up to the Latest Practicable Date, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

SUMMARY

LISTING EXPENSES

The total amount of the expenses and commission in connection with the Listing is approximately HK\$18.0 million, of which approximately HK\$4.5 million will be borne by the Selling Shareholder and the remaining approximately HK\$13.5 million will be borne by the Group.

Of the aggregate listing expenses borne by our Group of approximately HK\$13.5 million, approximately HK\$2.0 million is directly attributable to the issue of New Shares and will be accounted for as a deduction from equity upon Listing and approximately HK\$11.5 million will be charged to our profit or loss account. We have incurred approximately HK\$2.7 million of listing expenses during the Track Record Period. An additional amount of approximately HK\$8.8 million will be charged to the profit or loss for the year ending 31 August 2017. Expenses in relation to the Listing are non-recurring in nature.

The total estimated listing expenses of HK\$18.0 million is a current estimate for reference only and the final amount is subject to adjustments based on the actual amount incurred or to be incurred. Prospective investors should note that the financial performance of the Group for the year ending 31 August 2017 would be materially and adversely affected by the estimated Listing expenses mentioned above.

REASON FOR THE SHARE OFFER AND USE OF PROCEEDS

Our goal is to continue to be one of the leading ELV solutions providers in Hong Kong. The net proceeds of the Share Offer will provide us with the necessary funding to expand our business, allow us to take up larger projects and strengthen our financial position. Our Directors also believe that listing of the Shares on GEM will allow us to access the capital market for raising funds in the future. More importantly, a public listing status will enhance our corporate profile and recognition, which our Directors believe can (i) assist us in the tendering process for future new projects; (ii) strengthen our relationships with our existing suppliers and customers; and (iii) promote our brand to potential new customers.

The aggregate net proceeds from the Share Offer to be received by us (assuming the Offer Price at HK\$0.15, being the mid-point of the Offer Price range) is estimated to be approximately HK\$31.5 million. Our Directors intend to apply such net proceeds in the following manner:

- approximately HK\$12.0 million or 38.1% will be used for expanding our existing ELV solution business by offering instalment payment option to our customers;
- approximately HK\$4.4 million or 14.0% will be used for obtaining additional licences and qualifications;
- approximately HK\$8.0 million or 25.4% will be used for reducing our gearing ratio by repaying certain bank borrowings in an one-off manner;

SUMMARY

- approximately HK\$3.0 million or 9.5% will be used for purchasing five more commercial vehicles and two street lamp cars;
- approximately HK\$1.5 million or 4.8% will be used for developing new mobile app for our customers to place their order for maintenance service; and
- approximately HK\$2.6 million or 8.2% will be used for working capital and other corporate development purposes.

For details of our use of proceeds and implementation plan, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

IMPACT OF OUR OFFER OF INSTALLMENT PAYMENT OPTION

We had offered and secured several projects with the instalment payment option before the Track Record Period, and we started offering instalment payment option again in September 2016. We have given out offers of instalment payment option to 11 potential customers in recent months since September 2016, and have not entered into any project with this payment arrangement as at the Latest Practicable Date.

Our Directors believe that the provision of this option can enhance our profitability position. This option (i) allows the customers to spread out their capital outlay over a period of time rather than paying a lump sum and (ii) enables them to better plan their future cashflow ahead as they know exactly how much they have to pay at what time. Our Directors believe that the offering of this payment option enables us to have a competitive advantage over our competitors who do not offer such option. In general, we provide maintenance services during the instalment payment period. Therefore, by offering this instalment payment option, our Directors believe we can expand our business quicker. Moreover, since instalment payment is allowed, the price of our solutions provided with this payment option is higher. If the customers prefer such payment option, we can enhance our profitability accordingly.

The provision of this option may affect our liquidity position and expose us to credit risk. If we continue to offer instalment payment option to customers with the use of capital resources in addition to the net proceeds from the Share Offer, we will be required to pay the costs of our solutions provided to customers at the beginning and be paid over a longer period of time, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes. Moreover, if any of our customers choosing the instalment payment option is in material default of the payment obligation under the contract with us, we may not be able to effect re-possession or re-sale of the solutions provided in a timely manner or at all and we may incur costs to effect such re-possession or re-sale. As such, we have implemented the number of risk control policies to reduce our exposure to the above liquidity risk and credit risk. For further details, please refer to the sections headed “Business – Business strategies – Expanding our existing ELV solutions business by offering instalment payment option to our customers”.

SUMMARY

DIVIDENDS

For each of the two years ended 31 August 2016, we declared and paid interim dividends of HK\$2.0 million and HK\$12.3 million respectively to our Shareholders. Such amounts were fully settled by netting off the amount due from a director.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Company does not set any fixed dividend pay-out ratio. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

RISK FACTORS

There are risks involved in our Company's operations. Prospective investors should read carefully the section headed "Risk factors" in this prospectus for details of all the risk factors before making any investment decision in the Offer Shares. Some of the major risks are summarised as follows:

- Our income from installation and maintenance services is generally project based and non-recurring in nature and any decrease in the number of projects and/or any decrease in the demand of maintenance services would affect our operations and financial results.
- We prepare our tender based on estimated cost plus a mark-up margin, and there is no assurance that the actual time and costs incurred by us would match our initial estimate.
- Even we have established and enhanced our internal control system on monitoring our costs, the actual costs incurred by us may be affected by changes in market conditions that are beyond our control and we may incur cost overrun.
- Our offer of instalment payment option to our customer may have a material adverse effect on our liquidity and expose us to a higher credit risk.
- We may be exposed to payment delays and/or defaults by our customers which would adversely affect our cash flow or financial results.

SUMMARY

- We have obtained various qualifications and licences from various authorities. We are also on Government's various approved lists of contractors and suppliers. All these are important to our operation and any loss of any or all of these could materially and adversely affect our businesses in Hong Kong.

INTERNAL CONTROL

During the Track Record Period, we prepared our tenders based on our estimated cost of material and equipment and subcontracting cost plus a mark-up margin. The mark-up margin usually comprised (i) an amount equivalent to approximately 20% of the total estimated costs specifically reserved for our internal cost of human resources and (ii) a target profit. We used to set the final mark-up margin after taking into consideration the chance of obtaining the job with the determined tender price and that the tender price would be able to cover all of our estimated costs for the project as well as generate a profit.

In addition, during the Track Record Period, we did not record the time spent by each member of our installation teams and maintenance teams on each installation and maintenance project for recording the direct labour costs on each project.

As a result, our Group were not able to know the direct labour costs incurred in each project we handled and assess whether our tender price was reasonable, whether the relevant project was profitable and, if profitable, its gross profit margin.

For the purpose of assessing the profitability of each of the projects we handle and monitoring closely its profitability throughout the installation and maintenance process, as well as facilitating us to set a reasonable tender price, we have implemented the internal control measures in January 2017 to rectify the above weakness of our internal control system. Please refer to the paragraph headed "Risk factors – Risk relating to our business – Even we have established and enhanced our internal control system on monitoring our costs, the actual costs incurred by us may be affected by changes in market conditions that are beyond our control and we may incur cost overrun" and the paragraph headed "Business – Internal control and corporate governance – Internal control measures to improve weakness on project budgeting and monitoring" for details.

SUMMARY

STATISTICS OF THE SHARE OFFER

	Based on the minimum indicative Offer Price of HK\$0.13 per Share	Based on the maximum indicative Offer Price of HK\$0.17 per Share
Market capitalisation	HK\$208,000,000	HK\$272,000,000
Unaudited pro forma adjusted combined net tangible assets per Share as at 31 August 2016 ^(Note)	HK\$0.028	HK\$0.035

Note:

Please refer to the section headed “Appendix II – Unaudited pro forma adjusted net tangible assets” for further details regarding the assumptions used and the calculations method.

Pursuant to the Share Offer, the Selling Shareholder offers 100,000,000 Sales Shares for purchase under the Placing and, assuming an Offer Price of HK\$0.15 (being the mid-point of the indicative Offer Price range), will receive an estimated net proceeds of approximately HK\$10.5 million from the Placing after deducting the portion of the Listing expenses to be borne by it.

DEFINITIONS

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

“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 17 February 2017, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of 1,299,999,998 Shares to be made upon capitalisation of the amount of HK\$12,999,999.98 standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Company – 3. Written resolutions of our then sole Shareholder passed on 17 February 2017” in Appendix V to this prospectus
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)

DEFINITIONS

“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “us” or “we”	ECI Technology Holdings Limited, an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 3 October 2016
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to ECI Asia and Dr. Ng or, where the context so requires, any one of them. The shareholding of each of our Controlling Shareholders in our Company immediately following completion of the Reorganisation, the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of share options granted under the Share Option Scheme) are set out in the section headed “History, Reorganisation and corporate structure” in this prospectus

DEFINITIONS

“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 17 February 2017 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries) regarding certain indemnities as more particularly set out in the paragraph headed “D. Other Information – 2. Tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 17 February 2017 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), regarding the non-competition undertakings as more particularly set out in the paragraph headed “Relationship with Controlling Shareholders – Deed of Non-competition” in this prospectus
“Director(s)”	director(s) of our Company
“Dr. Ng”	Dr. Ng Tai Wing (吳泰榮博士), an Executive Director, the Chairman of our Board and chief executive officer
“ECI Asia”	ECI Asia Investment Limited, a company incorporated in the BVI with liability limited by shares on 26 August 2016 which is wholly-owned by Dr. Ng, and a Controlling Shareholder of our Company
“EC Infotech”	EC Infotech Limited (formerly known as Gold Loyal International Enterprise Limited 金鴻國際企業有限公司), a company incorporated in Hong Kong with limited liability limited by shares on 17 March 2003 and an indirect wholly-owned subsidiary of our Company
“ECI International”	ECI International (BVI) Limited, a company incorporated in the BVI with liability limited by shares on 4 October 2016 and a direct wholly-owned subsidiary of our Company
“Executive Director(s)”	executive director(s) of our Company

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“F&S Report”	an independent market report commissioned by our Company on the ELV integrated service industry prepared by Frost and Sullivan in February 2017
“Frost & Sullivan”	Frost and Sullivan International Limited, an independent market research institution
“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
“Government” or “Hong Kong Government”	the government of Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our existing subsidiaries, our existing subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HK eIPO White Form”	the application of Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKMC”	Hong Kong Mortgage Corporation Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected person(s) of our Company
“Joint Bookrunners” or “Joint Lead Managers”	Kingsway Financial Services Group Limited, Ping An Securities Limited and Gransing Securities Co., Limited
“Latest Practicable Date”	20 February 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about 10 March 2017, on which dealings in the Shares first commence on GEM
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 17 February 2017, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“Mr. Poon”	Mr. Poon Chi Kin Billy, Hong Kong barrister-at-law
“New Shares”	the 300,000,000 new Shares being offered by our Company for subscription under the Share Offer
“Nominal GDP”	Gross domestic product that is before deducting the consumption of fixed capital
“Octopus”	the electronic payment system using a contactless smart card known as “Octopus” which includes Octopus cards and products

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“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which the Offer Shares are to be subscribed or purchased pursuant to the Share Offer, which will not be more than HK\$0.17 and is currently expected to be not less than HK\$0.13 and to be agreed upon by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Placing Shares and Public Offer Shares
“Placing”	the conditional placing of 360,000,000 Shares (subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus) by the Underwriters on behalf of our Company and the Selling Shareholder for cash at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 360,000,000 Shares comprising the 260,000,000 New Shares and the 100,000,000 Sale Shares, to be offered for subscription or purchase at the Offer Price under the Placing, details of which are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and to be entered into on or about the Price Determination Date by our Company, our Controlling Shareholders, the Executive Directors, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” of this prospectus

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as in force from time to time before the commencement date of the Companies Ordinance
“Price Determination Agreement”	the agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date to determine and record the Offer Price
“Price Determination Date”	the date, expected to be on or around Friday, 3 March 2017 on which the Offer Price is determined, or such later time as may be agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder), but in any event not later than Wednesday, 8 March 2017
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the related Application Forms
“Public Offer Shares”	the 40,000,000 new Shares initially offered by our Company for subscription pursuant to Public Offer (subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set forth in the paragraph headed “Underwriting – Public Offer Underwriters” in this prospectus

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“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 24 February 2017 relating to the Public Offer and entered into by our Company, our Controlling Shareholders, the Executive Directors, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the paragraph headed “History, Reorganisation and corporate structure – Reorganisation” in this prospectus
“Sale Shares”	the 100,000,000 existing Shares being offered by the Selling Shareholder for purchase under the Placing
“Security and Guarding Services Industry Authority” or “SGSIA”	the Security and Guarding Services Industry Authority (保安及護衛業管理委員會) established under the SGSO
“Security and Guarding Services Ordinance” or “SGSO”	the Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SCL”	the license issued or renewed by SGSIA under the SGSO
“SPP”	the permit issued or renewed by the Commissioner of Police (or any police officer acting under and in accordance with an authorisation conferred on him by such Commissioner of Police) under the SGSO
“Selling Shareholder”	ECI Asia, details of which are set out in the section headed “Particulars of the Selling Shareholder” in Appendix V to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal or par value of HK\$0.01 each in the share capital of our Company

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“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 17 February 2017, the principal terms of which are set out in the paragraph headed “D. Other information – 1. Share Option Scheme” in Appendix V to this prospectus
“Share Swap Agreement”	the share swap agreement dated 9 February 2017 entered in to among Dr. Ng as the vendor, ECI International as the purchaser and our Company
“Shareholder(s)”	holder(s) of the Share(s)
“SME”	Small and medium enterprises
“Sponsor”	Kingsway Capital Limited, being the sponsor to the Listing and a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
“sq.ft.”	square feet
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to the entities disclosed in the section headed “Substantial and Significant Shareholders” in this prospectus or, where the context so requires, any one of them
“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 two years ended 31 August 2016
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters

DEFINITIONS

“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“United States Dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ WHITE 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)
“ YELLOW 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
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus in connection with our business or our Group. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

“CABD System”	Communal Aerial Broadcast Distribution system, which is installed inside a building to receive free-to-air TV/FM signals transmitted via radio frequencies and distribute them to the audience
“CCTV”	closed-circuit television, or video surveillance
“ELV”	extra-low voltage. According to Electrical and Mechanical Services Department, it means voltage normally not exceeding 50V root mean square alternating current or 120V direct current, between conductors or between a conductor and earth
“E&M”	electrical and mechanical
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“PA System”	public address system, an audio system that allows broadcasts over a designated area
“PIR”	passive infrared used in motion detection security system
“SMATV System”	Satellite Master Antenna Television system, which consists of one or more satellite receiving dish antennas, is usually installed at the rooftop of a building. Satellite television programmes received by these antennas are distributed by cable to individual households of the building

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- (a) our business strategies and plans of operation;
- (b) our capital expenditure plans;
- (c) the amount and nature of, and potential for, future development of our business;
- (d) our operations and business prospects;
- (e) our dividend policy;
- (f) the regulatory environment of our industry in general;
- (g) future development in our industry; and
- (h) the domestic economy.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and 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 to be incorrect.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Trading prices of the Shares could decline due to any of the following risks, and you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS

Our income from installation and maintenance services is generally project based and non-recurring in nature and any decrease in the number of projects and/or any decrease in the demand of maintenance services would affect our operations and financial results

Our income is primarily generated from the provision of ELV solutions, which can be generally divided into new project installation and maintenance services. Apart from variation orders or supplemental orders placed by our customer during the course of a project, our engagements with our customers are on a project basis and are generally non-recurring in nature. In general, the duration of work of our installation projects may vary from 1 month to 30 months. A customer that accounts for a significant portion of our income for a particular period may not generate any income to us in subsequent periods. In addition, we do not enter into any long-term agreements with our customers except for some maintenance service agreements with our customers which generally last for one to three years. After completion of our services, our customers are not obliged to engage us again in the future for maintenance and enhancement services or for new projects of such customer.

As such, our income derived above is not recurring in nature. There is no guarantee that we will win the awards of project contracts in the future, and there is no assurance that our existing customers will invite us to tender when they have new projects. Our operations and financial results would be adversely affected if we are unable to win new projects or secure new projects from existing customers, which may lead to a decrease in the number of projects.

RISK FACTORS

Historical financial conditions and results of operations may not be indicative of our future growth

For the two years ended 31 August 2015 and 2016, our total revenue amounted to approximately HK\$56 million and HK\$80 million, respectively, while our gross profit amounted to approximately HK\$16 million and HK\$27 million respectively, with gross profit margin of approximately 29% and 34% respectively. Such financial results were mainly due to the increase in the business volume of our Company as a result of the increase in demand for our installation and maintenance services.

We cannot assure that we will be able to operate our business as successful in the future or that the macro-economic condition of Hong Kong will not deteriorate. Our financial conditions and results of operations may be adversely affected if we fail to operate our business as successful or the macro-economic condition in Hong Kong becomes unfavourable.

We prepare our tender based on estimated cost plus a mark-up margin, and there is no assurance that the actual time and costs incurred by us would match our initial estimate

We prepare our tender based on estimated cost plus a mark-up margin. For details of the factors we consider when we make our cost estimates, please refer to the paragraph headed “Business – Sales and marketing – Pricing policy” in this prospectus. The actual time and costs incurred by us, however, may be affected by various factors, including (i) variations to the requirements or design requested by our customers; (ii) delays by our suppliers in delivering the systems/equipment; (iii) delays or defects in the installation work provided by our subcontractors; (iv) departure of our key personnel; (v) disputes with our customers or suppliers; (vi) disputes among other parties involved in the projects; (vii) changes in market conditions; and (viii) other unforeseen problems and circumstances. Any of these factors may lead to delays in completion or cost overruns by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays.

If a significant mark-up is made upon our estimated costs, then our contract fee may be less competitive. There can be no assurance that our tenders will always be priced competitively. If we fail to price our tenders competitively, our customers may not engage our services for the potential project or order, resulting in a decrease in the number of projects or orders. In such event, our operations and financial results would be adversely affected.

On the contrary, if the fee set by us is too low, then our profitability may be materially and adversely affected when the actual time spent and costs exceed our estimation during the actual implementation of the project or order.

RISK FACTORS

Even we have established and enhanced our internal control system on monitoring our costs, the actual costs incurred by us may be affected by changes in market conditions that are beyond our control and we may incur cost overrun

In order to enhance the monitoring of the profitability of individual project, starting from January 2017, weekly timesheet is prepared by each staff of the installation team and maintenance team and reviewed by the team leader and our management from time to time, and we take into account all the estimated and actually incurred cost of material and equipment, subcontracting cost and labour cost of each project in monitoring its profitability throughout its installation or maintenance process. Please refer to the sub-paragraph headed “Business – Internal control and corporate governance – Internal control measures to improve weakness on project budgeting and monitoring” for further details of the Group’s enhanced internal control measures. However, the actual costs incurred by us may be affected by changes in market conditions which is beyond our control. If the actual incurred cost is higher than our budgeted cost, our profitability may be adversely affected.

Our offer of instalment payment option to our customer may have a material adverse effect on our liquidity and expose us to a higher credit risk

If we offer instalment payment option to customers with the use of capital resources in addition to the net proceeds from the Share Offer in the future, we will be required to pay the costs of our solutions provided to customers at the beginning and be paid over a longer period of time, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes. Moreover, if any of our customers choosing the instalment payment option is in material default of the payment obligation under the contract with us, we may not be able to effect re-possession or re-sale of the solutions provided in a timely manner or at all and we may incur costs to effect such re-possession or re-sale. Any of such payment delays and/or defaults by our customers may adversely affect our operating cash flow, financial position and operating results.

We may be exposed to payment delays and/or defaults by our customers which would adversely affect our cash flow or financial results

Our Group does not have a standardised and universal credit period granted to our customers. In addition, in some installation projects, the work we handled only formed part of the customer’s entire system, and the customer also engaged other contractors to handle the other parts of the system. In such case, only until every contractor finished their respective work, the customer would not be able to test the functioning of the entire system. As confirmed by our Directors, it is the industry practice that the customer would only pay the contractors when the testing of the entire system is satisfactorily performed and completed. For further details, please refer to the section headed “Financial Information” in this prospectus.

RISK FACTORS

As at 31 August 2015 and 31 August 2016, invoices aged over 90 days amounted to approximately HK\$2.9 million and HK\$3.4 million, respectively, while our average trade receivables turnover were 66 and 71 days, respectively.

There can be no assurance that our customers will settle our invoices on time or in full. Any of such payment delays and/or defaults by our customers may adversely affect our operating cash flow, financial position and operating results.

Mismatch in turnover days for trade receivables and trade payables will affect our cash inflow

For the two years ended 31 August 2016, our trade receivables turnover days were approximately 66 days and 71 days whereas our trade payables turnover days were approximately 45 days and 32 days, respectively. As such, our credit periods for payment to our suppliers is generally shorter than that we offered to our customers and thus, our cash inflow and outflow may be mismatched. When our operations expand, our cash outflow increases at a faster pace than cash inflow. We had net cash from operating activities of approximately HK\$2.4 million and approximately HK\$1.4 million for the two years ended 31 August 2016. Our liquidity will be materially and adversely affected if there is net cash outflow in our operating activities.

We have obtained various qualifications and licences from various authorities. We are also on Government's various approved lists of contractors and suppliers. All these are important to our operation and any loss of any or all of these could materially and adversely affect our businesses in Hong Kong

In accordance with the laws and regulations in Hong Kong, we are required to obtain various qualifications and licences for our operations. We are also included in the approved contractors or suppliers lists of Government departments and public body such as Drainage Services Department, Electrical and Mechanical Services Department, Leisure and Cultural Services Department, Government Logistics Department, Development Bureau and the Hong Kong Housing Society, so that we may submit tender for public sector contracts of the relevant Government departments and public body. Please refer to the section headed "Regulatory Overview" and the paragraph headed "Business – Key Qualifications and Licences" for details.

We cannot assure you that we can obtain any additional qualifications and licences or renew such qualifications and licences, and we cannot guarantee that we will remain on the various lists of approved contractors or suppliers of the Government or public bodies. Any loss of or failure to obtain new licences or renew our licences or failure to remain on the Government's lists of approved contractors and suppliers may materially and adversely affect our operations and financial results.

RISK FACTORS

We may be unable to attract and retain employees with the requisite skills, expertise and experience. Also any increases in labour costs could affect our operation and financial results

We rely on the skills, expertise and experience of our employees to provide quality ELV solutions to our customers. Our staff cost, including salaries and other employee's benefits, amounted to approximately HK\$20.9 million and HK\$32.3 million for each of the two years ended 31 August 2015 and 2016, respectively, which accounted for approximately 37.3% and 40.2%, respectively, of our revenue for the relevant year. We cannot assure you that we will be able to maintain an adequate skilled labour force necessary for us to execute our business or to perform other corporate activities, nor can we guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or maintain an adequate labour force on a continuous basis, our business and operation could be adversely affected and our future growth and expansions may be inhibited.

We may be involved in disputes, legal and other proceedings arising from our operations from time to time and may face significant liabilities as a result

If our staff fail to implement safety measures and work procedures, they may suffer from bodily injuries or death as a result of accidents occurred during the course of their employment. They may be entitled to claim damages against us under the Employees' Compensation Ordinance as well as pursue litigation claim by way of a personal injury claim against us under the common law in Hong Kong. Moreover, many of the ELV solutions that we provide to our customers are important to our customers' businesses. It follows that any material defects or errors in the ELV solutions that we provide could disrupt our customers' business and/or adversely affect their reputation. This may result in potential claims against us by our customers. If our insurance coverage cannot adequately protect us against these claims, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. In addition, our reputation may be affected by such incidents. As such, our business and operation could be adversely affected.

Our business may be affected by the Hong Kong Government's level of spending on public works

During the Track Record Period, approximately 25.9% and 40.2% of our revenue was generated from public sector projects. Some of these projects are non-recurring in nature. Any change or significant delay in the level of spending on public works by the Hong Kong Government may affect our business and operation results. In the event that the Hong Kong Government reduces its level of spending on public works and we fail to secure business from other sectors, our business and profitability could be adversely affected.

RISK FACTORS

Part of our revenue is derived from term contracts which may not recurrent to us

During the Track Record Period, part of our revenue was derived from term contracts in respect of the maintenance projects with our customers including Hong Kong Government. Our Directors expect that such trend will continue for a while after Listing as there are certain term contracts remaining outstanding after Listing. However, we cannot guarantee that we will be able to secure new term contracts with the Hong Kong Government or other customers. In the event that we fail to do so, our future revenue and future profit may be adversely affected.

We may be liable for defects or errors in our ELV solutions, which would damage our business reputation and adversely affect our financial results

If the ELV solutions delivered by us contain defects or errors which adversely affect the customer's business, our Company may incur additional costs in correcting the defects or defending any legal proceedings and claims brought by its customers against our Company for damages. This may affect our Company's relationship with such customers and result in negative publicity which may adversely affect our reputation of the Company. There can be no assurance that there will not be any such claims against our Company in the future.

Our ELV solutions rely heavily on our suppliers, and consequently any shortage or delay of supply or defects could materially and adversely affect the quality of our service, thereby damaging our business reputation and adversely affecting our financial results

We utilise software systems and hardware products from independent vendors to provide our ELV solutions. If there is any shortage of products or material delay in delivery by our suppliers, we may fail to complete our projects or orders on time or at all. If the products of these vendors fail to function properly, our services could be adversely affected. As a result, we may be required to compensate our customers' losses. Further, even if we could identify suitable alternative sources, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our business reputation and financial results may be adversely affected.

We rely on members of our Executive Directors and project manager who are critical in our management and operations, and any discontinuance of their present positions would adversely affect our operations and financial results

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our Executive Directors namely, Dr. Ng and Mr. Law Wing Chong and our project manager, namely Mr. Ling Kee Ho, who is one of our senior management. If any of our Executive Directors and project manager is unable or unwilling to continue in his present positions, we may not be able to identify replacements in a timely manner, or at all. In such event, our business may be severely disrupted and our financial condition and operating results may be materially and adversely affected.

RISK FACTORS

Our insurance may not cover every potential loss and claim, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results

As at the Latest Practicable Date, we have purchased employees' compensation insurance, third party insurance and public liability insurance in relation to our operations. For more details of our insurance policies, please refer to the paragraph headed "Business – Insurance" in this prospectus. However, there is no guarantee that insurance coverage will always be available to us at economically favourable premiums (or at all) or that, in the event of a claim, the level of insurance maintained by us now or in the future is or will be adequate to cover the entire claim/liability. We may be subject to liabilities which have not been insured adequately or at all. If we are held liable for uninsured losses or amounts and claims for insured losses exceeding our insurance coverage, our operations and financial results may be materially and adversely affected.

With respect to losses which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may not be able to recover the full amount from the insurer.

We engage subcontractors to handle some of our installation work. The non-performance, sub-standard and delayed performance of these subcontractors may adversely affect our operations and financial results

We engaged subcontractors to handle some installation work during the Track Record Period. For the two years ended 31 August 2015 and 2016, we incurred subcontracting costs amounting to approximately HK\$9.0 million and HK\$6.8 million, representing 22.8% and 12.7% of our cost of sales, respectively. For details of our reasons in respect of such outsourcing and our selection and control system over our subcontractors, please refer to the paragraph headed "Business – Outsourcing" in this prospectus.

Outsourcing exposes us to risks such as non-performance, sub-standard and delayed performance by our subcontractors. As a result, we may experience delay in delivering our service and deterioration in the quality of our works, incur additional costs due to the delays, or be subject to liability under the relevant contract. Such events could impact our profitability, financial performance and reputation, and result in litigation and claims.

In addition, if the subcontractors are in breach of any rules and regulations in relation to health and safety matters, it may expose our Group to prosecutions and/or liable to claims for loss and damages. If there is in fact a violation, our operations and therefore reputation and financial position will be adversely affected.

RISK FACTORS

We have high gearing ratio that may expose us to liquidity risk

Our business operation relies on cash generated from our business operations and bank borrowings and we expect this will be the case in the future. Our gearing ratio was approximately 0.8 times and 1.2 times as at 31 August 2015 and 2016 respectively. Our high level of bank borrowings and gearing ratio may adversely affect our liquidity and business operations, including but not limited to:

- increase our vulnerability under adverse economic condition;
- potentially limit our ability to raise more debt; and
- increase our exposure to interest rate fluctuation.

If we continue to have a high gearing ratio, our exposure to liquidity risk may restrict our ability to make necessary capital expenditure or develop business opportunities in the future, which may adversely affect our results of operations and financial positions.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We face significant competition in the ELV solutions industry, and failure to compete efficiently would materially and adversely affect our operations and financial results

We operate in a highly competitive industry. Some of our competitors, which include a number of local companies, may have stronger brand names, greater access to capital, longer operating histories, longer and more established relationships with their customers, and greater marketing and other resources than we do. Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies than we can or by developing services that gain wider market acceptance than our service does. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

Our market position depends on our ability to anticipate and respond to various competitive factors, including effective cost control, technical expertise, responsiveness to our customers' preferences and timely completion of relevant contracts to meet our customers' schedules. There can be no assurance that the competition in the ELV solutions industry will not intensify in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

We may be unable to keep up with rapid technological changes, which may result in loss of customers, thereby adversely affecting our operations and financial results

The ELV solutions industry is characterised by rapidly changing technology, frequent introduction and enhancement of new products and services, evolving industry standards, and changing customer requirements. Our future success will depend, in part, on our ability to: (i) adapt to rapidly changing technologies; (ii) continuously improve the know-how of our staff in response to technological advances; and (iii) identify new suppliers of systems/equipment that can advance our ELV solutions. Our Company may not be successful in responding quickly, cost-effectively and adequately to the latest technologies. If we fail to do so, we may lose our clientele, thereby adversely affecting our operations and financial results.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may adversely affect our performance and financial condition

All of our Company's revenue are generated from Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

The state of political environment in Hong Kong may adversely affect our performance and financial condition

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy as currently in place at the moment. Since all of our operations are based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our results of operations and financial positions.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

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

Prior to the Share Offer, there was no public market for our Shares. The Offer Price may differ significantly from the market price of our Shares following the Share Offer. We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on GEM. We cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our Company's control:

- (a) variations in our Company's results of operation;
- (b) success or failure of our Company's management team in implementing stated business and growth strategies;
- (c) gain or loss of an important business relationship(s);
- (d) changes in securities analysts' recommendations, perceptions or estimates of our Company's financial performance;
- (e) changes in conditions affecting the industry, the general economic conditions or stock market sentiment or other events and factors;
- (f) changes in market valuations and share prices of companies that may be listed in Hong Kong;
- (g) additions or departures of key personnel;
- (h) fluctuations in market prices for our services;
- (i) fluctuations in stock market prices and volume; or
- (j) involvement in litigation.

RISK FACTORS

In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price is higher than the net tangible asset value per Share. Therefore, investors of the Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible asset value to HK\$0.028 per Share and HK\$0.035 per Share based on the Offer Price of HK\$0.13 per Share and HK\$0.17 per Share, respectively.

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

Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

We cannot assure you that our existing Shareholders, including, but not limited to, our Controlling Shareholders, will not dispose of our Shares that they own following the expiration of their respective lock-up periods after completion of the Share Offer. We cannot predict the effect, if any, that any future sales of our Shares by our Controlling Shareholders, or the availability of our Shares for sale by our Controlling Shareholders may have on the market price of our Shares. Sales of substantial amounts of our Shares by our Controlling Shareholders or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

There can be no assurance that we will pay dividends in the future

The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other things, our Company's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend policy, please refer to the paragraph headed "Financial Information – Dividend and dividend policy" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

RISK FACTORS

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles, websites or other media coverage regarding us and the Share Offer

We strongly caution our investors not to rely on any information contained in press articles, websites or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press, website and media coverage regarding the Share Offer and us. Such press, website and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press, website or media and do not accept any responsibility for any such press, website or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this prospectus have been derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Selling Shareholder, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 57IV of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus or the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by the Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other parties involved in the Share Offer.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and on the relevant Applications Forms.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement, and is subject to the agreement on the Offer Price between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date. A Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around 3 March 2017, subject to the Offer Price being agreed. The Share Offer is managed by the Joint Bookrunners and Joint Lead Managers.

Further details of the Underwriters and the underwriting arrangement are set out in the paragraph headed “Underwriting – Underwriting arrangements and expenses” in this prospectus.

OFFER PRICE

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by the Price Determination Agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date, which is currently expected to be on or about, Friday, 3 March 2017 (or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) may agree). If, for whatever reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) are unable to agree on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will lapse. For full information relating to the determination of the Offer Price, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares on the general distribution of this prospectus and/or the Application Forms. This prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation. Persons who possess this prospectus and/or the Application Forms are deemed to have confirmed with our Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Prospective applicants 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 applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Each person subscribing for or purchasing of the Offer Shares will be required to, or is deemed by his/her/its subscription or purchase of the Offer Shares, to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not subscribing for, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON GEM

The Sponsor has applied on behalf of the Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Share Offer, the Capitalisation Issue and as otherwise described herein on GEM (including any Shares which may be issued pursuant of any option which may be granted under Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer). No part of the shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and the permission to deal in, the Offer Shares on GEM is 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 by or on behalf of the Listing Division of the Stock Exchange.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. Accordingly, a total of 400,000,000 Offer Shares, which currently represents 25% of the enlarged issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the Share Option Scheme) will be made available under the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

THE SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be allotted and issued 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, under contingent situation, 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 (as defined in the GEM Listing Rules) after any trading day. All necessary arrangements have been made enabling 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. Prospective investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Prospective investors of the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our/their respective directors, agents or advisers 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, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder.

SHARE REGISTRARS AND STAMP DUTY

All Shares to be allotted, issued and transferred pursuant to the Share Offer will be registered on the branch share register of our Company in Hong Kong maintained by the Hong Kong Share Registrar. The principal share register of our Company in the Cayman Islands is maintained by Esera Trust (Cayman) Limited. Only Shares registered on the branch share register of our Company in Hong Kong may be traded on GEM.

Dealings in the Shares registered on the branch share register of our Company in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of the Shares being sold or transferred.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

EXCHANGE RATE CONVERSION

Unless the context requires otherwise, translation of US\$ and HK\$ is made in this prospectus, for illustration purpose only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amount in US\$ and HK\$ could have been or could be converted at the above rate or at any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Dr. Ng Tai Wing (吳泰榮博士) (Chairman)	7B Goldwin Heights, 2 Seymour Road, Hong Kong	Chinese
Mr. Law Wing Chong (羅永忠先生)	Flat 2, 11/F, Hung Chak House, Hung Fuk Court, Hong Kong	Chinese
<i>Non-executive Director</i>		
Ms. Wong Tsz Man (王芷雯女士)	7B Goldwin Heights, 2 Seymour Road, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Hui Chun Ho Eric (許俊浩先生)	House 71, 6TH Street, Section M, Fairview Park, Yuen Long, N.T., Hong Kong	Chinese
Mr. Sung Wai Tak Herman (宋衛德先生)	Flat C, 22/F, Block 8, Phase 2 Royal Ascot, Shatin, N.T., Hong Kong	Chinese
Mr. Fung Tak Chung (馮德聰先生)	1/F, 81D Kiu Hing Road, Tai Tong Tsuen, Yuen Long, N.T., Hong Kong	Chinese

For further information on the backgrounds of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor

Kingsway Capital Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO

7/F, Tower One, Lippo Centre,

89 Queensway,

Hong Kong

**Joint Bookrunners, Joint Lead
Managers and Public Offer
Underwriters**

Ping An Securities Limited

Unit 02, 2/F,

China Merchants Building,

152-155 Connaught Road Central,

Hong Kong

Gransing Securities Co., Limited

805-806 Far East Consortium Building,

121 Des Voeux Road Central,

Hong Kong

Kingsway Financial Services Group Limited

7/F, Tower One,

Lippo Centre,

89 Queensway,

Hong Kong

Legal advisers to our Company

As to Hong Kong law

Kwok Yih & Chan

Suites 2103 – 05,

21st Floor,

9 Queen's Road Central,

Hong Kong

As to Cayman Islands law

Appleby

2206-19 Jardine House,

1 Connaught Place Central,

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**Legal advisers to the Sponsor and
the Underwriters**

As to Hong Kong law

CFN Lawyers
in association with Broad & Bright
27/F, Neich Tower,
128 Gloucester Road,
Wan Chai
Hong Kong

Reporting accountants

SHINEWING (HK) CPA Limited
Certified Public Accountants
43th Floor,
Lee Garden One,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

Compliance adviser

Kingsway Capital Limited
*A corporation licensed under the SFO to carry on
type 1 (dealing in securities) and type 6 (advising on
corporate finance) regulated activities as defined in
the SFO*
7/F, Tower One, Lippo Centre,
89 Queensway,
Hong Kong

Property Valuer

**Jones Lang LaSalle Corporate Appraisal and
Advisory Limited**
6/F Three Pacific Place,
1 Queen's Road East,
Hong Kong

CORPORATE INFORMATION

Registered office	Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands
Headquarters in Hong Kong	Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No. 62 Hoi Yuen Road, Kowloon
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No. 62 Hoi Yuen Road, Kowloon
Company's website	www.ecinfohk.com <i>(Note: the information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Lau Chi Yuen (ACCA) Room 1014, 10/F, Tak Yee House, Tak Tin Estate, Lam Tin, Kowloon, Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Dr. Ng Tai Wing 7B Goldwin Heights, 2 Seymour Road, Hong Kong Mr. Law Wing Chong Flat 2, 11/F, Hung Chak House, Hung Fuk Court, Hong Kong
Compliance officer	Dr. Ng Tai Wing

CORPORATE INFORMATION

Audit committee	Mr. Hui Chun Ho Eric (<i>Chairman</i>) Mr. Sung Wai Tak Herman Mr. Fung Tak Chung
Remuneration committee	Mr. Sung Wai Tak Herman (<i>Chairman</i>) Mr. Hui Chun Ho Eric Mr. Fung Tak Chung
Nomination committee	Dr. Ng Tai Wing (<i>Chairman</i>) Mr. Hui Chun Ho Eric Mr. Sung Wai Tak Herman Mr. Fung Tak Chung
Principal share registrar and transfer office	Estera Trust (Cayman) Limited Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands
Hong Kong branch share registrar	Tricor Investor Services Limited Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong
Principal banker	DBS Bank (Hong Kong) Limited 11th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Frost and Sullivan Report prepared by Frost and Sullivan, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sponsor, the Joint Bookrunner, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Share Offer. Neither our Group, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Share Offer make any representation as to the accuracy, completeness or fairness of such information from official government publications.

The information extracted from the Frost and Sullivan Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. References to Frost and Sullivan should not be considered as the opinion of Frost and Sullivan as to the potential investment of our Shares or in our Group. Our Directors believe that the sources of information extracted from the Frost and Sullivan Report are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Frost and Sullivan Report.

RELIABILITY OF INFORMATION IN THE FROST AND SULLIVAN REPORT

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Frost and Sullivan Report which may qualify, contradict or have an impact on the information therein.

SOURCES OF INFORMATION

We have commissioned Frost and Sullivan, an independent market research company, to conduct an analysis of, and to report on, the ELV integrated service industry in Hong Kong for the period from 2010 to 2020. The information and analysis contained in the Frost and Sullivan Report were assessed independently by Frost and Sullivan, including all its subsidiaries, divisions and units (collectively referred to as “Frost and Sullivan Group”), which is not connected to our Group in any way. Frost and Sullivan charged us a total fee of approximately HK\$400,000 for the preparation and the use of the Frost and Sullivan Report, which our Directors consider is consistent with market rates.

INDUSTRY OVERVIEW

The market research process for this study has been undertaken through a detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specifically related industry drivers.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

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

ASSUMPTIONS USED IN THE FROST AND SULLIVAN REPORT

- The economies of Hong Kong are assumed to maintain steady growth across the forecast period
- The social, economic, and political environment of Hong Kong are likely to remain stable over the forecast period
- Market drivers like the growth of Hong Kong's nominal GDP, the stable increase of population, the growth of per capita disposable income, and the further development of real estate market in Hong Kong are expected to drive the growth of the ELV integrated service market in Hong Kong
- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of ELV integrated services market during the forecast period

INDUSTRY OVERVIEW

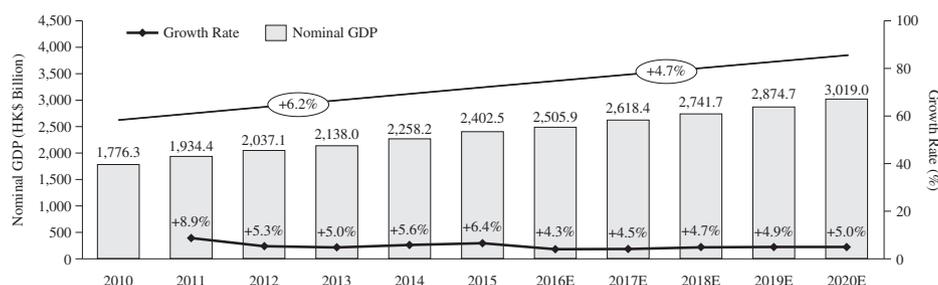
PARAMETERS USED IN THE FROST AND SULLIVAN REPORT

- GDP value and GDP growth rate in Hong Kong from 2010 to 2015
- Per capita GDP value and per capita GDP growth rate of Hong Kong from 2010 to 2015
- Population and its growth in Hong Kong from 2010 to 2015
- Revenue of ELV integrated service market in Hong Kong from 2010 to 2015
- Revenue of ELV integrated service market by customers in Hong Kong from 2010 to 2015
- The average salary of related professionals in ELV integrated service market from 2010 to 2015

MACRO ECONOMIC SITUATION IN HONG KONG

Hong Kong economy developed stably in the recent years. This was mainly due to the rapid growth in many Asian economies and moderate recoveries in Europe and the United States that allowed Hong Kong's external trade to remain competitive. Growth was also supported by the expanding domestic market due to the increase in intra-regional production activities and the growth of the number of tourists from the PRC. According to the Census and Statistics Department of Hong Kong, the Nominal GDP in Hong Kong grew from approximately HK\$1,776.3 billion in 2010 to approximately HK\$2,402.5 billion in 2015. According to the International Monetary Fund ("IMF"), the Nominal GDP in Hong Kong is expected to reach HK\$3,019.0 billion in 2020, representing a CAGR of 4.7% from 2015 to 2020.

Nominal GDP Value and GDP Growth Rate in Hong Kong from 2010 to 2020

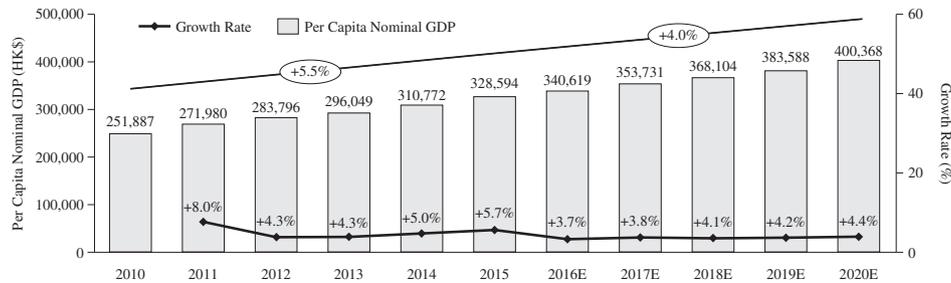


Sources: Census and Statistics Department of Hong Kong; International Monetary Fund (April 2016) and Frost and Sullivan Analysis

INDUSTRY OVERVIEW

Hong Kong's per capita Nominal GDP, as the following chart shows, increased from approximately HK\$251,887 in 2010 to approximately HK\$328,594 in 2015, representing a CAGR of 5.5% from 2010 to 2015. According to IMF, the per capita GDP in Hong Kong is expected to be HK\$400,368 in 2020, representing a CAGR of 4.0% from 2015 to 2020.

Per Capita Nominal GDP in Hong Kong from 2010 to 2020



Sources: Census and Statistics Department of Hong Kong; International Monetary Fund (April 2016) and Frost and Sullivan Analysis

OVERVIEW OF BUILDING SERVICE MARKET

Building services include design, installation, operation and monitoring of mechanical system, electrical system, and other systems and equipment in and around buildings of all types to provide a safe and comfortable environment for occupants. Building services provide building users the following:

- A safe home and workplace free of theft and fire hazards.
- A comfortable and healthy indoor environment with good lighting, efficient air-conditioning, ventilation, etc.
- A living environment with efficient transportation, telecommunications and automation systems including lifts, escalators, telephone services and building automation system.

Nowadays, 20%-60% of the total building cost is spent on building services. Since people now recognise the importance of safety, comfort and convenience in using building systems and equipment, developers have spent more effort on developing better building services, especially in developing intelligent ELV systems.

INDUSTRY OVERVIEW

MARKET OVERVIEW OF THE ELV INTEGRATED SERVICE INDUSTRY IN HONG KONG

There are a broad usage and application of ELV in Hong Kong. ELV is a voltage range in electricity supply, used as a means to protect against dangerous electrical shock. ELV integrated service is one of the electrical services that can be used in all types of building infrastructure installations in commercial and industrial premises. It is an industry norm that ELV integrated service providers offer instalment options to their customers in the ELV integrated service market. Instalment option allows the customers to repay by instalment or on a monthly basis over a period of time. The repayment period by instalment option is usually 48 months in the ELV integrated service market.

The application of ELV integrated service includes the following:

General Classification	Category	Function
Telecommunications and Broadcasting Services	Telephone communication System	Realise the function of communication of telephone, including FAX machine, video phone, etc.
	Local area network system	Realise the office automation and build the network foundation for various data transmission.
	Music/broadcasting system	Play music by loudspeakers installed on the spot (shopping malls, restaurants, corridor etc.) and broadcast through microphones.
	Cable TV signal distribution system	Evenly distribute the cable TV signal to users in the building.
	Security monitoring system	Monitor and alarm the entrances of the buildings and some important places by installing video camera and PIR intrusion detector.

INDUSTRY OVERVIEW

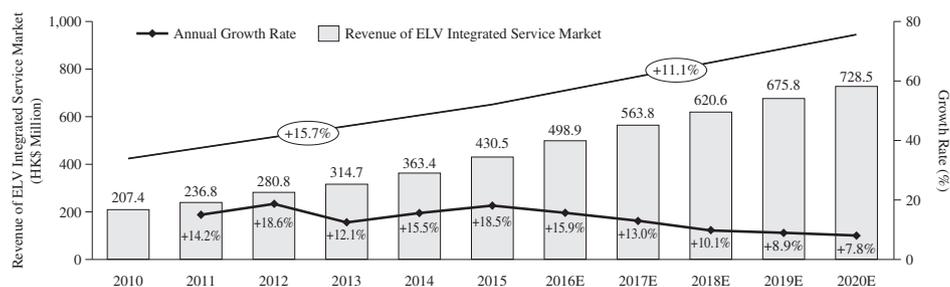
General Classification	Category	Function
Central Control and Monitoring System (CMSS)	Fire alarm system	Monitor physical quantity factors such as smoke, heat and flame as to prevent fire.
	Access control system	Control, record and monitor the entrance by using smart card locks and smart card readers. Realise the unified management of building entrance.
	Parking charge management system	Sense the access of vehicles by induction call. Realise the automatic charge and control of electric barrier.
	Building automation system	Detect, monitor and control the environmental parameter in and around the building, and the equipment (air condition, lighting, and elevator). Realise the proper distribution and management of resource in the building.

Source: Frost and Sullivan Analysis

REVENUE GROWTH

The revenue of ELV Integrated Service Industry experienced a positive growth from around HK\$207.4 million in 2010 to around HK\$430.5 million in 2015 at a CAGR of around 15.7%. Key reasons for such growth are the development of Hong Kong's property market, the continuous increase in construction investments, and the increasing usage of automation in buildings. ELV integrated service market of Hong Kong is projected to sustain the rapidly growing stage in the next few years and the revenue of this market is expected to reach HK\$728.5 million in 2020, representing a CAGR of 11.1%.

Revenue of ELV Integrated Service Market in Hong Kong from 2010 to 2020



Source: Frost and Sullivan research and analysis

INDUSTRY OVERVIEW

The private sector of ELV integrated service market in Hong Kong accounted for 69.8% of total market revenue in 2015. Thanks to the increase in number of the newly completed buildings and the upgrade of ELV integrated service, the revenue of Hong Kong ELV integrated service market in the private site is projected to reach HK\$521.6 million in 2020, representing a CAGR of 11.7%. Meanwhile, the value of Hong Kong ELV integrated service market in the public sector reached HK\$130.0 million in 2015, representing 30.2% of the total market value. In 2020, this segment is likely to take up about 28.4% of total value of Hong Kong ELV integrated service market in Hong Kong.

	Public Sector		Private Sector		Total	
	Revenue (HK\$ million)	Percentage to total (%)	Revenue (HK\$ million)	Percentage to total (%)	Revenue (HK\$ million)	Percentage to total (%)
2010	65.3	31.5	142.1	68.5	207.4	100.0
2011	73.6	31.1	163.2	68.9	236.8	100.0
2012	86.5	30.8	194.2	69.2	280.7	100.0
2013	96.0	30.5	218.8	69.5	314.8	100.0
2014	113.6	31.3	249.8	68.7	363.4	100.0
2015	130.0	30.2	300.5	69.8	430.5	100.0
CAGR 2010-2015 (%)	14.8%		16.2%		15.7%	
2016E	150.0	30.1	348.9	69.9	498.9	100.0
2017E	164.6	29.2	399.1	70.8	563.7	100.0
2018E	178.4	28.7	442.2	71.3	620.6	100.0
2019E	193.7	28.7	482.0	71.3	675.7	100.0
2020E	206.9	28.4	521.6	71.6	728.5	100.0
CAGR 2015-2020E (%)	9.7%		11.7%		11.1%	
CAGR 2010-2020E (%)	12.2%		13.9%		13.4%	

Note: Private sector includes the buildings mainly developed and managed by the landowners or property developers while public sector includes the buildings mainly developed and managed by the government or semi-government

Sources: Frost and Sullivan Analysis

Demand for ELV integrated services industry in Hong Kong

Demand for better and intelligent living environment

In 2015, the per capita nominal GDP in Hong Kong was HK\$328,594 and is likely to reach HK\$400,368 in 2020 with a CAGR of 4.0% from 2015. With the improvement of living standard, people pay more attentions to their living environment especially in a city like Hong Kong with a high population density and a large number of skyscrapers. Therefore, the urban residents demand a high level of automation in buildings, which drives the needs of intelligent ELV integrated systems.

INDUSTRY OVERVIEW

Further development of Hong Kong construction market

From 2010 to 2015, the gross value of construction works by main contractors increased from HK\$111.3 billion to HK\$218.5 billion, representing a CAGR of 14.4%. This market is likely to grow to HK\$333.5 billion in 2020, representing a CAGR of 8.8% from 2015 to 2020. Meanwhile, according to the 2016-2017 Budget, Hong Kong government is likely to make available for sale 29 residential sites capable of providing 19,000 units and 8 commercial or business sites capable of providing a floor area of 540,000 m². Accordingly, with the further development of construction market in Hong Kong, a larger number of buildings are in need of ELV integrated systems, especially for intelligent buildings.

Maintenance and upgrade for old buildings

Currently, there are a number of old buildings in Hong Kong. The ELV integrated system in those buildings needs to be managed and maintained. Some outdated systems require updates so as to ensure people's comfort, convenience and safety. Thus, there exists a great demand for professional ELV integrated services.

Increase of Hong Kong population

Hong Kong population has reached approximately 7.3 million by the end of 2015 as compared with approximately 7.1 million in 2010. In 2020, the number of population in Hong Kong is likely to reach 7.5 million. Accordingly, with the continuous growth in population, it is expected that the demand for residential properties would increase.

Growth of money supply from overseas market and mainland China

The monetary policy of the United States, such as quantitative easing has caused some massive capital flow around and into Asia such as Hong Kong, helping drive up the price in the property market. Furthermore, mainland Chinese buyers rushed into Hong Kong property market as a way to get their cash out of China in recent years, inflating property prices astronomically.

Measures implemented by government

The Hong Kong government has introduced numerous measures to curb price growth since 2012, including doubling the stamp duty and property transaction tax. Virtually, from the long-term perspective, these measures are able to stabilise the price of the property and drive the healthy development of Hong Kong property market.

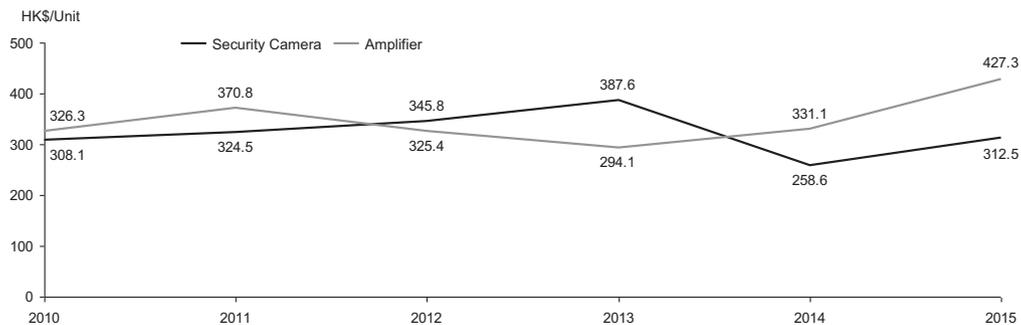
INDUSTRY OVERVIEW

HISTORICAL KEY COSTS COMPONENTS IN ELV INTEGRATED SERVICE INDUSTRY

Security Cameras and Amplifiers

The following sets forth the historical average price of security cameras and amplifiers in ELV integrated service market in Hong Kong:

The average price of security cameras and amplifiers from 2010 to 2015



Source: Census and Statistics Department of Hong Kong and Frost and Sullivan Analysis

Being one of the essential parts in security and monitoring system, cameras' price largely influences ELV integrated service providers' costs. Security cameras' price fluctuated and realised a CAGR of 0.3% from 2010 to 2015. From 2010 to 2013, the price of security camera presented a rising trend, reaching HK\$387.6 per unit in 2013. However affected by production cost and exchange rate of some exporters, security cameras' sunk to HK\$258.6 per unit in 2014 and then rebounded to HK\$312.5 per unit in 2015.

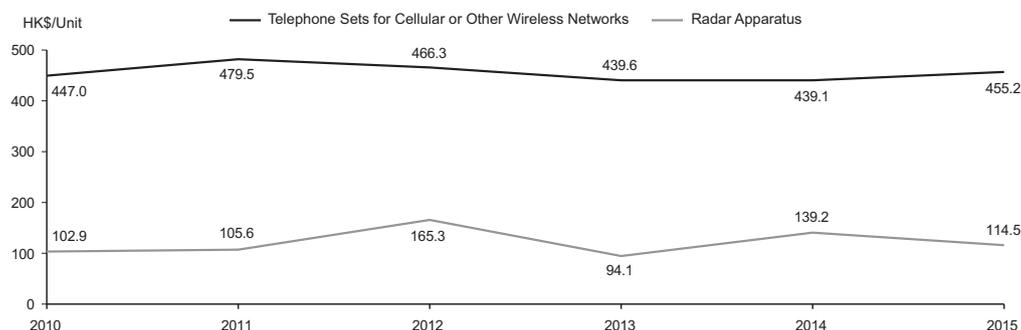
Amplifiers are generally applied to alarming system and access control system. After experiencing a downturn in 2013, amplifiers' price went up, reaching HK\$427.3 per unit in 2015. From 2010 to 2015, the amplifier's price grew at a modest CAGR of 5.5%.

INDUSTRY OVERVIEW

Telephone Sets for Cellular or Other Wireless Networks and Radar Apparatus

The following sets forth the historical average price of telephone sets for cellular or other wireless networks and radar apparatus in ELV integrated service market in Hong Kong:

The average price of telephone sets for cellular or other wireless networks and radar apparatus from 2010 to 2015



Source: Census and Statistics Department of Hong Kong and Frost and Sullivan Analysis

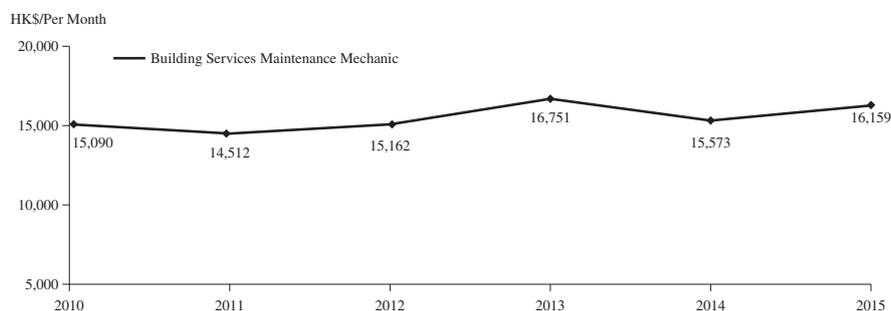
As the major raw material of telecommunication and broadcasting service system, the price of telephone sets for cellular or other wireless networks and radar apparatus showed the upward trend in the period of 2010 to 2015. The price of telephone sets for cellular or other wireless networks grew at a CAGR of 0.4% from 2010 to 2015, and reached HK\$455.2 per unit in 2015. During the same period, the price of radar apparatus experienced a CAGR of 2.2%, and amounted to HK\$114.5 per unit in 2015. In the near future, the prices of telephone sets for cellular or other wireless networks and radar apparatus are expected to steadily grow.

INDUSTRY OVERVIEW

Wages

The following chart sets forth the historical average salary trend of related professionals in ELV integrated service market in Hong Kong:

The average salary of related professionals in ELV integrated service market from 2010 to 2015



Source: Census and Statistics Department of Hong Kong

As the skilled jobs in the Hong Kong ELV integrated service market, the average salary level of building service maintenance mechanic showed an upward trend in the recent five years. The average salary of building service maintenance mechanic experienced a CAGR of 1.4% from 2010 to 2015. In 2015, the average month salary of building service maintenance mechanic reached HK\$16,159. Virtually, the related workers, especially the experienced ones, are insufficient in the ELV integrated service market mainly due to the issue of aging and shrinking of the workforce. It is expected that the demand for related workers in the Hong Kong ELV integrated service market would grow in the future. Meanwhile, the aging, job mismatch, limitations in training, etc., are the major possible factors causing the critical manpower situation in the coming years. Therefore, the average salary level of building service maintenance mechanic in Hong Kong is likely to maintain a growth trend in the following years.

COMPETITIVE LANDSCAPE

In 2015, the total sales revenue in the ELV integrated service market recorded approximately HK\$430.5 million. The competition in Hong Kong ELV market was relatively concentrated with the top five competitors together occupied approximately 72.3% market share of the overall sales revenue. Our company shared about 14.5% of the industry revenue in 2015. The following table sets forth a breakdown of the revenue earned by the top five ELV integrated service providers in 2015.

INDUSTRY OVERVIEW

Top 5 main contractors engaged in the ELV integrated service industry in Hong Kong in 2015

Rank	Name of Company (Headquarter)	Share of Total Industry Revenue (%)	Main Business
1	Company A (Hong Kong)	15.3%	<ul style="list-style-type: none"> • Delivering reliable security systems and solutions • Designing integrate and install security and fire safety system
2	Company B (Hong Kong)	15.0%	<ul style="list-style-type: none"> • Offering the services in security systems, communication systems and intelligent automation systems to meet the needs of building developers, occupants and property managers
3	Company C (Hong Kong)	14.7%	<ul style="list-style-type: none"> • Offering a diverse range of services including build consultancy, operating, and maintenance services for infrastructure and ELV solutions
4	Our Company	14.5%	<ul style="list-style-type: none"> • Providing a wide range of ELV solutions, including building management systems such as security system, car park system and clubhouse management system; and telecommunications and broadcasting services systems such as CABD System and SMATV System
5	Company D (Hong Kong)	12.8%	<ul style="list-style-type: none"> • Offering a diverse range of services in the security monitoring system
	Others	27.7%	
Total		100.0%	

Source: Frost and Sullivan interviews and analysis

INDUSTRY OVERVIEW

Octopus system can be used to control and monitor entry inside clubhouses, residential and commercial buildings, offices, construction sites, closed areas, and can also be applied on car parks, which is one part of ELV integrated service market. The system should be operated with Octopus card which is the most common smart card system in Hong Kong. Nowadays, there are 22 authorised contractors in the Octopus system for clubhouses, car parks and access control system. At present, new Octopus authorised contractors are no longer approved.

Market Share of Top 5 Competitors by Sales Revenue in Octopus System Market in Hong Kong in 2015

Rank	Name of Company	Market Share (%)	Main Business
1	Company E	21.3%	<ul style="list-style-type: none"> • Running Hong Kong's Mass Transit Railway • Focusing on property development in Hong Kong • Investing in railways in different parts in the world
2	Company F	13.1%	<ul style="list-style-type: none"> • Offering car park management, car park consultation services, car park interior design and procurement of car park equipment
3	Company A	12.5%	<ul style="list-style-type: none"> • Delivering reliable security systems and solutions • Designing integrate and install security and fire safety system
4	Company C	11.7%	<ul style="list-style-type: none"> • Offering a diverse range of services including build consultancy, operating, and maintenance services got infrastructure and ELV solutions
5	Company G	11.2%	<ul style="list-style-type: none"> • Providing alarm monitoring services, smart card system service, ELV solution and maintenance
N/A	Our Company	10%	<ul style="list-style-type: none"> • Providing a wide range of ELV solutions, including building management systems; and telecommunication and broadcasting services systems such as CABD System and SMATV System
Top 5 Subtotal		69.8%	

Source: Frost and Sullivan analysis

In 2015, Octopus card system market reached HK\$85.4 million and the competition in this market was relatively concentrated. Top 5 competitors together occupied approximately 69.8% market share of overall sales revenue.

INDUSTRY OVERVIEW

FACTORS OF COMPETITION

Professional Talents

In the ELV integrated service market, on-site workers and the designing team have direct impacts on the quality of the project they work on. However, it is not easy to find qualified talents who have comprehensive knowledge in various aspects, such as electrotechnics and hardware assembling, as well as accumulated experiences in the field of installation. Meanwhile, due to the shortage of related workers, the company should have a good track record of payment to hire sufficient workers to guarantee the operation of projects, especially those large ones.

Strong Design Capability

Design is one of the core parts in ELV integrated service market. Customised products and solutions need to be well designed so as to meet consumers' different requirements and apply to different situations. Design capability not only lays in the professionals' ability of applying high technology but also in the familiarity of local environments and the insights of customers' needs. Thus, the strong design capability can contribute to the diversity of products and a good reputation.

Timely Services

Once some ELV integrated products, such as security alarm system, access control system are not functioning well, it will seriously influence peoples daily lives. Hence, timely maintenance becomes particularly important in this regard. Sufficient staff need to be distributed widely and provided timely in case of some rush-repairs.

Experiences in Project Management

From preliminary product purchase, design, installation stage to maintenance, each stage requires a detailed plan, effective execution and strict supervision to successfully deliver the final outcome. Therefore, if the enterprises lack experiences in the project management, they are likely to meet a number of difficulties, such as design errors, delays in installation, cost overruns and other, in the process of projects.

Opportunities

- (1) Rapid development of ELV integrated service market in Hong Kong in the following years
- (2) Increasing demand in private sector of Hong Kong ELV integrated service market
- (3) The segment of antenna system has a huge potential space to develop
- (4) Increasing number of maintenance projects

INDUSTRY OVERVIEW

Threats

- (1) Potential market entrants in each aspect of the value chain
- (2) Growing labor cost and other operation cost in Hong Kong
- (3) Increasing cost of raw materials, especially the hardware

Entry Barriers

1) *Qualifications*

In order to enter the ELV integrated service market, newcomers have to obtain qualifications. For instance, the company who runs a business in security system has to obtain the security license and those in electronic system is subjected to acquire the electricity license. In Hong Kong, Octopus cards are widely used by 99% of the total population of Hong Kong. However, the applications of Octopus system should obtain the relevant license in terms of types, such as park license. Among those qualifications, some are tougher to be obtained.

2) *Long-term Relationship with Customers*

It is vital for participants in Hong Kong entering ELV integrated service market to establish good long-term relationships with customers. In order to gain trusts from customers, these participants need to offer corresponding long period of service records to prove their reliability and follow-up service capabilities. On the other hand, once the capabilities of participants are recognised by the customers, they would not replace them easily so as to maintain the stability and quality of projects. Therefore it is difficult for new entrants to establish a long-term and interdependent relationship with customers in the short term.

3) *Reliable Suppliers*

Finding reliable suppliers that can provide high-quality components such as chips, sensors, card readers with fixed low cost and short supply period is essential for the participants in the Hong Kong ELV integrated service market. The new entrants have some difficulties in building mutual trust partnership with suppliers in the short term.

4) *Sufficient Experienced Workers*

A number of large projects with high-profit margin usually require those sufficiently experienced workers. Besides, sufficient workers have to be on call when some products need to be maintained. Thus, sufficiently experienced workers are often considered to be crucial for the participants in the Hong Kong ELV integrated service market. New entrants are not able to hire sufficiently experienced workers in a short period of time because they are lacking time to prove their payment credit.

REGULATORY OVERVIEW

HONG KONG REGULATORY OVERVIEW

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

Regulations relating to Employment

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

As an employer of about 155 staff, our Group is subject to the no-fault and non-contributory employee compensation system for work injuries established by the Employees' Compensation Ordinance. The Employees' Compensation Ordinance lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

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

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities under both 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 this ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years, or on summary conviction, to a fine of HK\$100,000 and to imprisonment for one year.

REGULATORY OVERVIEW

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

Our Group owns a landed property and has leased several landed properties and is considered to be the occupier of the said properties under the Occupiers Liability Ordinance. As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

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

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

Our employees may be exposed to injuries whilst providing installation, maintenance and other services to our customers. Our management team is responsible for providing safety and health protection to employees in workplaces, both industrial and non-industrial in accordance with the Occupational Safety and Health Ordinance.

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

- providing and maintaining of plant and work systems that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer's control:
 - maintaining the workplace in a condition that is safe and without risks to health; and
 - providing and maintaining means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- providing and maintaining a working environment for the employer's employees that is safe and without risks to health.

REGULATORY OVERVIEW

Failure to comply with any of 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 6 months.

Further, the Commission for Labour may, at his discretion, issue improvement notices against non-compliance of this ordinance and/or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such improvement notice or suspension notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months. In case of contravention of suspension notice, a daily fine of HK\$50,000 may also be imposed.

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

Our Group is subject to the Minimum Wage Ordinance, which provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this ordinance is void.

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

Mandatory Provident Fund Schemes Ordinance provides for the establishment of non-governmental mandatory provident fund (“MPF”) schemes. Our Group, as an employer, is required to enroll our regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a MPF scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

REGULATORY OVERVIEW

Regulations relating to the business operations of the Company

Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong)

Our Group provides installation and maintenance of security systems such as access control, CCTV, burglar alarm and other security solutions and is required to obtain relevant licences to operate in Hong Kong. Established on 1 June 1995 under the SGSO, SGSIA administers a licensing scheme to regulate the security industry in Hong Kong. In particular, companies offering security services and individuals providing security work are regulated under a license regime (i.e. for SCL, the “**SCL Regime**”) and a permit regime (i.e. for SPP, the “**SPP Regime**”), respectively, under the SGSO.

SCL Regime

Under section 11 of the SGSO, no person other than a company acting under and in accordance with a SCL issued by SGSIA in accordance with the SGSO shall supply, agree to supply, or hold himself out as supplying any individual to do security work for another person for reward.

Pursuant to section 12 of the SGSO, no person shall authorise or require another person to do any type of security work for him unless the other person:

- (a) is a holder of a SPP that is valid for that type of work, a holder of SCL, or an individual supplied by a holder of SCL; or
- (b) is authorised or required to do the work otherwise than for reward.

Application for a SCL shall be made to SGSIA. Under the SGSO, only body corporate incorporated under the Companies Ordinance, incorporated under the Predecessor Companies Ordinance, or incorporated by any other ordinance of the laws of Hong Kong may apply for a SCL.

Under the SCL Regime, the following are the three types of security work in which a company holding a SCL may perform:

Type I security work	Provision of security guarding services
Type II security work	Provision of armoured transportation services
Type III security work	Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device

REGULATORY OVERVIEW

Our Group is involved in the provision of Type III security work and has obtained a Type III SCL. At the Latest Practicable Date, the SCL is still valid.

Conditions for issuing a SCL

The issuance of SCL will be subject to the following conditions (together with any such conditions SGSIA may impose):

The licensee must:

- (a) display its SCL in a prominent position inside its principal place of business;
- (b) only supply individuals to perform the type of security work as specified in its SCL;
- (c) enter its name and the period of employment on the SPP of security personnel under its employ;
- (d) notify the Commissioner of Police (the “**Commissioner**”) in writing of:
 - (i) any criminal proceedings against the controller(s), directors and executives, and all SPP holders of the company within 14 days after the licensee has become aware of the institution of such proceedings;
 - (ii) the name of the persons whom it employs to do security work and the date on which the employment commenced within 14 days after the commencement of the employment; and
 - (iii) the name of the persons whom it ceases to employ to do security work and the date on which the employment ceased within 14 days after the cessation of the employment (items (ii) and (iii) are collectively referred to as the “**Notification Requirements**”);
- (e) not act contrary to the requirements of its work as a security company.

A SCL is not assignable or transmissible, and is valid for five years (or such shorter period as SGSIA may specify, and subject to payment of prescribed fee). An application for renewal of a SCL shall be made to SGSIA not earlier than six months and not later than three months before the SCL is due to expire.

REGULATORY OVERVIEW

Penalties

Under section 31(1) of the SGSO, any person who operates a company which supplies, agrees to supply, or holds himself out as supplying any individual to do security work for another person for reward without a valid SCL commits an offence and is liable on conviction to a fine of HK\$100,000 and to imprisonment for two years.

Pursuant to section 31(2) of the SGSO, any person who fails to notify the Commissioner of the Notification Requirements (together with the relevant date of commencement/cessation giving rise to such Notification Requirements) commits an offence and is liable on conviction to a fine of HK\$10,000 and to imprisonment for three months.

SPP Regime

Some of our employees are involved in the installation and maintenance of security devices and are required to obtain relevant permits under the SPP Regime. Under section 10 of the SGSO, no individual shall do, agree to do, or hold himself out as doing or as available to do, security work for another person unless he does so (i) under and in accordance with a SPP issued by the Commissioner in accordance with the SGSO; or (ii) otherwise than for reward.

As set out above, pursuant to section 12 of the SGSO, no person shall authorise or require another person to do any type of security work for him unless the other person, among others, is a holder of a SPP that is valid for that type of work, a holder of SCL, or an individual supplied by a holder of SCL.

Application for a SPP shall be made to the Commissioner. Under the SGSO, SPP shall not be issued to a body of persons, whether corporate or unincorporate.

Under the current SPP Regime, the following are the four categories of security work in which a person holding a SPP may perform:

Category A	Guarding work restricted to a “single private residential building”, the performance of which does not require the carrying of arms and ammunitions
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Note: A “single private residential building” means an independent structure (i) covered by a roof and enclosed by walls extending from the foundation to the roof; (ii) used substantially for private residential purpose; and (iii) with only one main access point.

Category B	Guarding work in respect of any persons, premises or properties, the performance of which does not require the carrying of arms and ammunition and which does not fall within Category A
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REGULATORY OVERVIEW

Category C	Guarding work, the performance of which requires the carrying of arms and ammunitions
Category D	Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a system incorporating a security device

Our employees providing the installation and maintenance of security devices have obtained the relevant SPP for performing Category D works and as at the Latest Practicable Date, the relevant SPP are still valid.

Conditions for issuing a SPP

The issuance of a SPP is subject to the following conditions (together with any such conditions the Commissioner may impose).

The SPP holder must:

- (a) carry his SPP at all times when he is on duty;
- (b) produce his SPP for inspection on demand by any police officer;
- (c) notify the Commissioner in writing of:
 - (i) any change of employer, unless he is employed by a licensed security company; and
 - (ii) any institution of criminal proceedings against him,within 14 days after the relevant event has occurred;
- (d) only perform the type of security work as specified in his SPP;
- (e) not work over 372 hours per month and not normally work over 12 hours per day; and
- (f) not act contrary to the requirements of his duties as a security personnel or remiss in the execution of his duties.

A SPP is not assignable or transmissible, and is valid for a period of five years (or such shorter period as the Commissioner may specify). Holder of a SPP should apply to the Commissioner for renewal not earlier than 6 months and not later than three months before his SPP is due to expire.

REGULATORY OVERVIEW

Penalties

Under section 31(2) of the SGSO, any person who does, agrees to do, or holds himself out as doing or as available to do, security work for another person for reward without a valid SPP commits an offence and is liable on conviction to a fine of HK\$10,000 and to imprisonment for three months.

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

Our operations include providing installation and maintenance of building management systems and telecommunications and broadcasting systems and are subject to the Factories and Industrial Undertakings Ordinance and its subsidiary legislations, which 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 work environment that is safe and without risks to health.

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 wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong)

Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations requires a specialist contractor or a principal contractor to employ one registered safety officer on a full-time basis when the total number of persons employed by him in construction sites is 100 or more. He must also employ one safety supervisor in each site with 20 or more persons under his employment. Safety supervisors must not be required to carry out other work that would prevent them from carrying out their safety duties properly.

REGULATORY OVERVIEW

The responsibility of a safety officer is to assist the proprietor of an industrial undertaking in promoting the safety and health of persons employed. The main duties as stipulated in the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations, among others, are as follows:

- (a) advising the proprietor as to measures to be taken in the interest of the safety and health of persons employed in the industrial undertaking and, with the approval of the proprietor, implementing such measures;
- (b) inspecting the industrial undertaking for the purpose of determining whether or not there is any machinery, plant, equipment, appliance or process or any description of work carried on in the industrial undertaking which is of such a nature as to be liable to cause risk of bodily injury to any person employed in an industrial undertaking;
- (c) reporting the findings of any inspection to the proprietor and recommending what measures, if any, ought to be taken as a result of that inspection;
- (d) advising the proprietor in the interest of the safety and health of persons employed in the industrial undertaking of any repairs or maintenance that ought to be carried out in respect of any premises comprising the industrial undertaking; and any appliance, equipment, machinery or plant in use in the industrial undertaking;
- (e) investigating and reporting to the proprietor, or causing to be investigated and reported to the proprietor, the circumstances of any accident, or dangerous occurrence in the industrial undertaking and making recommendations to the proprietor to prevent similar accidents or dangerous occurrences;
- (f) investigating and reporting to the proprietor, or causing to be investigated and reported to the proprietor, the circumstances of the suffering of any bodily injury by any person employed in the industrial undertaking and making recommendations to the proprietor to prevent similar suffering of any bodily injury;
- (g) investigating and reporting to the proprietor every fatal accident in the industrial undertaking and making recommendations to the proprietor to prevent similar fatal accidents;
- (h) on or before the last day in every month preparing and submitting to the proprietor a report in the approved form; and
- (i) advising the proprietor on the implementation of a safety management system in the industrial undertaking.

REGULATORY OVERVIEW

As at the Latest Practicable Date, our Group has employed four full-time safety officers and are in compliance with the requirements under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations.

Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)

As our Group is involved in the installation of security systems, electronic works, telecommunications and broadcasting systems which may be classified as “building works” under the Building Ordinance, our operations are subject to the relevant provisions under the Buildings Ordinance and its subsidiary legislations. The Buildings Ordinance and associated regulations regulate the planning, design, and construction of buildings and associated works. The Buildings Ordinance and associated regulations contain a set of controls for undertaking any construction works, including the requirement to obtain prior approval and consent from the Building Authority before the commencement of works, and to appoint authorised persons (such as architects, engineers and surveyors registered under the Buildings Ordinance) and registered professionals to design and supervise the works, and registered contractors to carry out the works.

Under section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works, including alteration, addition and every kind of building operation, without having obtained approval and consent from the Building Authority. According to section 41(3) of the Buildings Ordinance, building works (other than drainage works, ground investigation in the scheduled areas, site formation works or minor works) in any building are exempt from the requirement for approval from the Building Authority if the works do not involve the structure of the building. Even if the building works satisfy the criteria under section 41(3) of the Buildings Ordinance and can be carried out without prior approval of the Buildings Ordinance, the works concerned would have to comply with the building standards stipulated in the regulations made under the Buildings Ordinance. It is a requirement under the Buildings Ordinance for an authorised person (who co-ordinates any building works and who prepares and submits plans for the approval of the Building Authority) to be appointed by either the ultimate beneficiary of the works, the employer of the works, or the contractor.

REGULATORY OVERVIEW

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

The Building (Minor Works) Regulation is a subsidiary legislation under the Buildings Ordinance and provides for a simplified procedure and requirements to regulate building works which have been specified as “minor works”. Under the Building (Minor Works) Regulation, minor works are classified into three classes according to their nature, scale and complexity and the risk and safety they pose. The works are further classified into types and items that correspond to the specialisation of works in the industry. Class I minor works are relatively more complicated and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional (such as an authorised person and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor. The other two classes of minor works, Class II and Class III, can be carried out by a prescribed registered contractor (which can be a registered general building contractor, a registered specialist contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a registered minor works contractor) without the involvement of a prescribed building professional.

Our Group has obtained the Certificate of Registration of Registered Minor Works Contractor (Company) for (i) alteration and addition works and (ii) works relating to signboards, both under Class II and Class III. As at the Latest Practicable Date, the certificate is still valid.

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

Our Group provides installation and maintenance services regarding building management systems and telecommunications and broadcasting systems and may produce waste during our operations. Our Group is subject to the Waste Disposal Ordinance which controls the production, storage, collection and disposal including treatment, reprocessing and recycling of wastes. At present, unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including but not limited to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to make an application to establish a billing account solely in respect of that contract with the Director of Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract. As at the Latest Practicable Date, we have obtained a billing account from Environmental Protection Department.

REGULATORY OVERVIEW

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who uses, or permits to be used, any land or premises for the disposal without such a licence commits an offence and is liable to (i) a fine of HK\$200,000 and to imprisonment for 6 months for the first offence; (ii) to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and (iii) in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong)

Radio Dealers Licence (Unrestricted)

Our Group provides installation and maintenance services for telecommunications and broadcasting systems such as CABD Systems and SMATV Systems and is required to obtain various licences under the Telecommunications Ordinance for our operations. Under section 8 of the Telecommunications Ordinance, a Radio Dealers Licence (Unrestricted) is required for dealing in the course of trade or business in apparatus or material for radiocommunications or in any component part of any such apparatus or in apparatus of any kind that generates and emits radio waves whether or not the apparatus is intended, or capable of being used, for radiocommunications. Pursuant to section 20 of the Telecommunications Ordinance, any person who contravenes section 8(1) shall be guilty of an offence and shall be liable on summary conviction, to a fine of HK\$50,000 and to imprisonment for two years; and on conviction on indictment, to a fine of HK\$100,000 and to imprisonment for five years.

Under section 9 of the Telecommunication Ordinance, any person who wishes to import to or export from Hong Kong any radiocommunications transmitting apparatus will need to obtain a permit granted by the Communications Authority unless he is a holder of a Radio Dealer Licence (Unrestricted). Pursuant to section 21 of the Telecommunication Ordinance, any person who contravenes section 9 shall be liable, on summary conviction, to a fine of HK\$25,000 and to imprisonment for 12 months.

Under the Radio Dealers Licence (Unrestricted), the licensee is permitted to deal in radiocommunications apparatus and import into or export from Hong Kong radio transmitting apparatus pursuant to section 9 of the Telecommunications Ordinance. A Radio Dealers Licence (Unrestricted) is generally valid for a period of 12 months, and is renewable on payment of the prescribed fee, at the discretion of the Office of the Communications Authority.

We have obtained the Radio Dealers Licence (Unrestricted) and is licenced to possess and deal in the course of trade or business in apparatus or material for radiocommunications or in any component parts thereof. As at the Latest Practicable Date, the licence is still valid.

REGULATORY OVERVIEW

Satellite Master Antenna Television Licence (“SMATV Licence”)

Our Group provides installation and maintenance services for SMATV Systems and is required to obtain a SMATV Licence for the installation, maintenance and operation of SMATV Systems pursuant to section 6D(2)(a) of the Telecommunications Ordinance.

A SMATV Licence is subject to, among others, the following conditions:

- (1) The licensee shall not originate any material or message which is distributed to users of the system (General Condition 6);
- (2) The cables of a licensed SMATV System shall not cross any street or unleased Government land without the written authorisation of the Communications Authority (General Condition 9);
- (3) The licensee shall not charge or receive the benefit of, directly or indirectly, any fee for the right to receive programmes or other communication distributed by means of the system (General Condition 10(1));
- (4) The licensee shall distribute only signals intended for general reception (General Condition 11). The meaning of “signals intended for general reception” is defined in General Condition 11(1);
- (5) The transmission plan employed in the SMATV System shall be approved by the Communications Authority. The system shall comply with the relevant requirements specified in the latest version of HKCA 1104 – Performance Requirements for In-Building Coaxial Cable Distribution Systems issued by the Communications Authority (General Condition 14);
- (6) Each aerial installation shall be confirmed by a registered structural engineer as meeting the safety requirements defined in General Condition 15(1). The meaning of a “registered structural engineer” is given in General Condition 15(3); and
- (7) The licensee shall insure itself, throughout the licence validity period, against its third party liabilities in respect of personal injury, death and damage to property, arising out of or in connection with the installation, maintenance and operation of the system. The amount of insurance shall be at least HK\$5,000,000 per occurrence or such sum as the Communications Authority may notify in writing in future (Special Condition 12).

A SMATV Licence is valid for one year and may be renewed on an annual basis on payment of the prescribed fee, at the discretion of the Office of the Communications Authority. We have obtained the SMATV Licence and as at the Latest Practicable Date, the licence is still valid.

REGULATORY OVERVIEW

Electricity Ordinance (Chapter 406 of the Laws of Hong Kong)

Our Group provides installation and maintenance of building management systems to our customers and are required to carry out electrical work on fixed electrical installations. Under the Electricity Ordinance, all electrical contractors carrying out electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department. The Electricity Ordinance provides for the registration and regulation of the electrical contractor in order to protect the general public in the use of electricity. Any person, not being a registered electrical contractor, who does business as an electrical contractor or contract to carry out electrical work within Hong Kong commits an offence and is liable on to a fine and imprisonment.

A person who wishes to register as an electrical contractor must satisfy the requirements set out in the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong). To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or (a) if the applicant is an individual, he/she must be a registered electrical worker; or (b) if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

Failure to comply with the registration requirement constitutes an offence and is liable to a fine of HK\$50,000 on a first conviction and a fine of HK\$100,000 on a subsequent conviction for the same offence and in either case is liable to imprisonment for six months.

We have obtained the Certificate of Registration of Electrical Contractor and as at the Latest Practicable Date, the certificate is still valid.

Requirements for contractor/sub-contractor registration in Hong Kong

In order to undertake public sector projects, a contractor must be included in at least one of the two approved lists of public works contractors, namely the “List of Approved Contractors for Public Works” and the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works”. Pursuant to the Project Administration Handbook for Civil Engineering Works issued by Civil Engineering and Development Department, all capital works and maintenance works contracts of the Government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ subcontractors (whether nominated, specialist or domestic) that are registered under the respective trades available under the Subcontractor Registration Scheme administered by the Construction Industry Council.

REGULATORY OVERVIEW

Our Group provides maintenance, modification and installation works of electronic and E&M control systems at various sewage treatment works and also undertakes maintenance and installation of building management systems, telecommunications and broadcasting systems of various public facilities. Our Group is registered as a specialist contractor or a subcontractor under the following trades:

as a specialist contractor under the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works”:

- (i) audio electronics installation (currently on probation);
- (ii) broadcast reception installation;
- (iii) burglar alarm and security installation; and
- (iv) video electronics installation.

as a subcontractor under the Subcontractor Registration Scheme:

- (i) broadcast reception installation;
- (ii) burglar alarm and security;
- (iii) E & M installation for sewage treatment;
- (iv) security and communication system; and
- (v) audio and video electronic equipment.

As at the Latest Practicable Date, our Group has maintained compliance with the respective requirements under the relevant registrations in respect of the public works it undertakes.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

The history of our Group dates back to 2003 when EC Infotech was established. Our Group has been providing ELV solutions support to our customers in Hong Kong.

Major milestones

Set out below is a summary of the major milestones of the development of our Group's business:

Year	Development Milestone
2003	Commenced business in the provision of ELV solutions to our customers in Hong Kong
2005	Approved as one of Optopus authorised contractors for access control system company
2007	Approved as one of Octopus authorised contractors for club house company
2008	Obtained a Satellite Master Antenna Television Licence from the Office of the Communications Authority Approved as one of Octopus authorised car park contractor Company
2011	Awarded ISO 9001:2008 certification by Accredited Certification International Limited for the supply and installation of smart card and CCTV system
2014	Awarded "Hong Kong Most Valuable Companies Awards 2014" by Mediazone Publishing Awarded ISO 14001:2004 certification by Accredited Certification International Limited for the supply and installation of smart card and CCTV system

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Development Milestone
2015	Awarded “Most Valuable Services Awards in Hong Kong 2015” by Mediazone Publishing
2016	Awarded “Outstanding Social Caring Organisation Award” by Social Caring Organisation
	Awarded “Model Subcontractor Award – Silver Award” in the 22nd Considerate Contractors Site Award Scheme jointly organised by Development Bureau and Construction Industry Council
	Awarded “Most Valuable Companies in Hong Kong 2016” by Mediazone Publishing
	Awarded “Hong Kong Famous Brands Award 2016” by Asia Brand Development Association

CORPORATE DEVELOPMENT

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 October 2016. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” under this section, our Company has become the holding company of our Group for the purpose of the Listing. As at the Latest Practicable Date, our Group comprises:

- (i) our Company;
- (ii) ECI International; and
- (iii) EC Infotech.

Our Company

As part of the Reorganisation, our Company was incorporated in the Cayman Islands with limited liability on 3 October 2016.

The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each and initially one Share was allotted and issued at par to an Independent Third Party as the initial subscriber and was subsequently transferred to ECI Asia on the same day.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 17 February 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$38,000,000 divided into 3,800,000,000 Shares of par value of HK\$0.01 each by the creation of an additional 3,762,000,000 new Shares, ranking pari passu in all respects with the Shares issued on 17 February 2017.

Upon completion of the Reorganisation, our Company became the holding company of our Group. The principal business activity of the Company is investment holding.

ECI INTERNATIONAL

As part of the Reorganisation, ECI International was incorporated in the BVI with liability limited by shares on 4 October 2016. It is authorised to issue a maximum of 50,000 shares of a single class with no par value. Initially, one ordinary share was allotted and issued at the subscription price of US\$1.0 to our Company on the date of incorporation.

ECI International is principally engaged in investment holding.

EC INFOTECH

EC Infotech (formerly known as Gold Loyal International Enterprise Limited 金鴻國際企業有限公司) was incorporated in Hong Kong with limited liability on 17 March 2003. It was authorised to issue 10,000 shares of HK\$1.00 each. Two initial subscribers, being Independent Third Parties, were each allotted and issued one share on the date of incorporation.

On 25 August 2003, EC Systems Limited (“**EC Systems**”) and Planetcom Technology Limited (“**Planetcom**”), each acquired one share in EC Infotech from the initial subscribers at a consideration of HK\$1.00 per share. EC Systems was owned as to 99% by Dr. Ng and 1% by his wife, Ms. Wong Tsz Man on trust for Dr. Ng. Planetcom Technology Limited was owned by Independent Third Parties.

On 3 October 2003, EC Infotech allotted and issued 489 shares to EC Systems and 495 shares to Planetcom for a consideration of HK\$1.00 per share. Upon completion of the above share allotment, EC Systems and Planetcom owned 490 shares and 496 shares in EC Infotech, respectively, representing 49.70% and 50.30% of the issued share capital of EC Infotech.

On 6 October 2003, EC Infotech allotted and issued 5 shares to Gold Bright Management Limited (“**Gold Bright**”) for a consideration of HK\$500,000, the 5 shares was held by Gold Bright on trust for Planetcom pursuant to a declaration of trust dated 9 October 2003 executed by Gold Bright. Gold Bright was owned by Independent Third Parties. Upon completion of the above share allotment, EC Systems, Planetcom and Gold Bright (on trust for Planetcom) held 490 shares, 496 shares and 5 shares in EC Infotech, respectively, representing 49.45%, 50.05% and 0.50% of the issued share capital of EC Infotech.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 5 July 2005, Planetcom transferred 496 shares to Top Express Holding Company Limited (“**Top Express**”) for a consideration of HK\$1.0 per share. Top Express was owned by Independent Third Parties. Gold Bright also declared on the same date that the 5 shares in its name were held on trust for Top Express. Gold Bright was a fellow subsidiary of Top Express. Upon completion of the above share transfer, EC Systems, Top Express and Gold Bright (on trust for Top Express) held 490 shares, 496 shares and 5 shares in EC Infotech, respectively, representing 49.45%, 50.05% and 0.50% of the issued share capital of EC Infotech.

On 19 July 2006, Dr. Ng acquired a total of 501 shares from Top Express for a total consideration of HK\$500,000, of which 496 shares were legally and beneficially held by Top Express and 5 shares were held by Gold Bright on trust for Top Express, respectively. The 501 shares represented 50.55% of the entire issued share capital of EC Infotech. The above transfers were properly and legally completed and fully settled on 19 July 2006. The remaining 49.45% issued share capital of EC Infotech was held by EC Systems.

On 25 February 2008, EC Systems transferred 490 shares to Dr. Ng for the consideration of HK\$1.0 per share. Upon completion of the above transfer, Dr. Ng became the sole shareholder of EC Infotech.

On 13 August 2012, EC Infotech allotted and issued 800 shares to Dr. Ng for the consideration of HK\$800.

On 10 May 2013, EC Infotech allotted and issued 1,000,000 shares to Dr. Ng for the consideration of HK\$1,000,000.

On 9 February 2017, as part of our Reorganisation, Dr. Ng transferred 1,001,791 Shares of EC Infotech to ECI International, being the entire issued share capital in EC Infotech. The consideration of the transfer was HK\$15,000,000, which was settled by our Company allotting and issuing 1 Share, credited as fully paid, to ECI Asia, and the one nil-paid share held by ECI Asia was credited as fully paid at par.

Upon completion of the Reorganisation, EC Infotech became a direct wholly-owned subsidiary of ECI International, details of which are set out in the paragraph headed “Reorganisation” in this section.

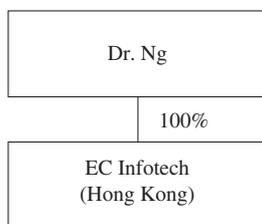
EC Infotech provides ELV solutions and general I.T. and software support to our customers in Hong Kong.

REORGANISATION

We underwent the Reorganisation in preparation for the Listing pursuant to which our Company became the holding company of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out our Group's corporate and shareholding structure immediately before the Reorganisation:



The Reorganisation involves the following steps:

Incorporation of ECI Asia

ECI Asia was incorporated on 26 August 2016 in the BVI to act as the investment vehicle of Dr. Ng. ECI Asia is authorised to issue up to a maximum of 50,000 shares of a single class with no par value and one (1) share was allotted and issued to Dr. Ng on 5 September 2016 at the subscription price of US\$1.0. Upon completion of the above allotment, Dr. Ng became the sole shareholder of ECI Asia.

Incorporation of our Company

In preparation for the Listing, our Company was incorporated in the Cayman Islands on 3 October 2016 as an exempted company with limited liability. The initial authorised share capital of our Company was HK\$380,000 which was divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, one Share was initially allotted and issued in nil-paid form at par to an Independent Third Party as the initial subscriber which was subsequently transferred to ECI Asia on the same day. Upon completion of the above transfer, ECI Asia became the sole shareholder of our Company.

On 31 October 2016, our Company was registered under Part 16 of the Companies Ordinance as a non-Hong Kong company.

Incorporation of ECI International

ECI International was incorporated on 4 October 2016 in the BVI to act as an intermediary holding company of our Group. ECI International is authorised to issue up to a maximum of 50,000 shares of a single class with no par value and one share of which was allotted and issued to our Company at the subscription price of US\$1.0 on the date of incorporation. Upon completion of the above allotment, ECI International became a wholly-owned subsidiary of our Company.

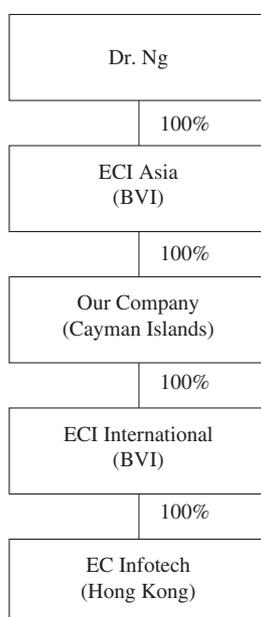
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Acquisition of EC Infotech

Pursuant to the Share Swap Agreement, Dr. Ng agreed to sell, and ECI International agreed to purchase, 1,001,791 shares of EC Infotech, being the entire issued share capital in EC Infotech. The consideration of the acquisition was settled by our Company allotting and issuing 1 Share, credited as fully paid, to ECI Asia, and the one nil-paid Share held by ECI Asia was credited as fully paid at par.

Upon completion of the above transfer, EC Infotech became a wholly-owned subsidiary of our Group.

The following is the shareholding structure immediately after completion of the Reorganisation:



Increase in the authorised capital of our Company

On 17 February 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$38,000,000 divided into 3,800,000,000 Shares of par value of HK\$0.01 each by the creation of an additional 3,762,000,000 new Shares, ranking pari passu in all respects with the Shares in issue on 17 February 2017.

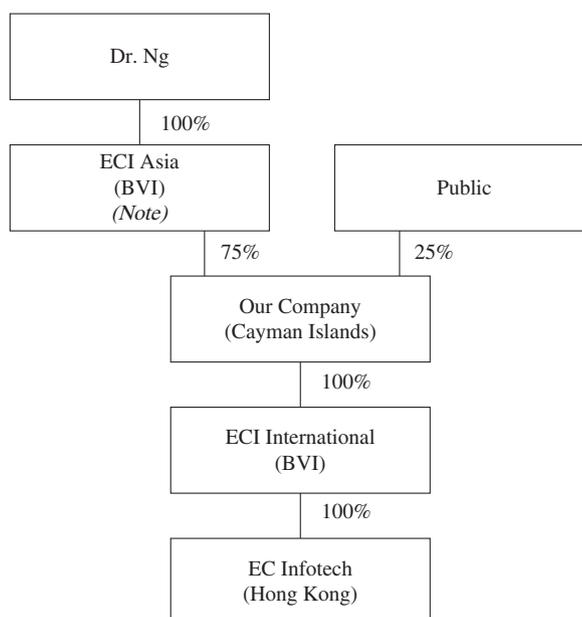
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Capitalisation Issue

Conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Share Offer, our Directors will be authorised to capitalise the sum of approximately HK\$12,999,999.98 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 1,299,999,998 Shares for the allotment and issue to the then shareholder of our Company recorded on the register of members or principal share register of our Company as at 17 February 2017, being ECI Asia.

CORPORATE STRUCTURE

The following chart sets out the corporate structure of our Group immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme):



Note:

Pursuant to the Share Offer, ECI Asia offers 100,000,000 Sales Shares for purchase under the Placing, and, immediately following completion of the Share Offer and Capitalisation Issue, will directly hold 75% of the total issued share capital of our Company (without taking into account any Shares which may be issued upon the exercise of share options which may be granted under the Share Option Scheme). Assuming an Offer Price of HK\$0.15 (being the mid-point of the indicative Offer Price range), ECI Asia will receive an estimated net proceeds of approximately HK\$10.5 million from the Placing after deducting the portion of the Listing expenses to be borne by it.

BUSINESS

OVERVIEW

We provide ELV solutions primarily on central control monitoring systems to our customers in Hong Kong. Central control monitoring systems refer to all of the wide variety of systems relating to management of a single block of building, residential development, commercial and industrial buildings, sewage treatment facilities, hospitals or other government facilities. The key central control monitoring systems we install and maintain include security systems, car park systems, clubhouse management systems, etc. As the central control monitoring systems cover a wide variety of ELV solutions, our top 10 installation projects during each of the two years ended 31 August 2015 and 2016 primarily involved central control monitoring systems. Please refer to the paragraph headed “Business – Projects – Our top 10 installation projects by revenue” below in this section for further details. In addition, we also provide ELV solutions on telecommunications and broadcasting services systems such as CABD System and SMATV System and our top 10 installation projects during each of the two years ended 31 August 2015 and 2016 also included upgrading of digital terrestrial television for our customer.

We have obtained qualifications and licences from various authorities. We have obtained licences from Office of the Communications Authority (previously known as Office of the Telecommunications Authority), Security Bureau – Security and Guarding Services Industry Authority and Buildings Department to conduct various types of works. We are on the approved contractors or suppliers lists of Drainage Services Department Sewage Treatment Division, Electrical and Mechanical Services Department, Leisure and Cultural Services Department, Government Logistics Department and Development Bureau as a contractor or supplier for various works or products.

During the Track Record Period, our clientele comprises customers from both the private and public sectors. Our customers in the private sector are mainly property developers and property management companies in Hong Kong. Our customers in the public sector are mainly Government departments such as Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Company have contributed to our success to date:

Established ELV solutions provider holding various qualifications and licences

We have been providing ELV solutions in Hong Kong since 2003. During the Track Record Period, we have undertaken 4,752 installation projects and 1,035 maintenance projects for various Government entities as well as customers engaged in property development and property security businesses. Our Company has accumulated vast experience through the projects undertaken over the years.

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We have obtained qualifications and licences from various authorities. We have obtained licences from Office of the Communications Authority (previously known as Office of the Telecommunications Authority), Security Bureau – Security and Guarding Services Industry Authority and Buildings Department to conduct various types of works. We are on the approved contractors or suppliers lists of Drainage Services Department Sewage Treatment Division, Electrical and Mechanical Services Department, Leisure and Cultural Services Department, Government Logistics Department and Development Bureau as a contractor or supplier for various works or products. We are one of the Octopus authorised contractors for club house company, Octopus authorised car park contractors companies and Octopus authorised contractors for access control system company. Our Directors believe that our ability to provide comprehensive service to our customers give us the competitive edge. Please refer to the paragraph headed “Business – Key qualifications and licences” in this prospectus for further details.

In view of our proven track record, our Directors consider that we are an established ELV solutions provider in Hong Kong.

Established customer base

Our Directors believe that we have established a solid customer base in both private and public sectors over our 13 years of operations. Our customers in the private sector are mainly property developers and property management companies in Hong Kong whereas our customers in the public sector are mainly Government departments such as Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc.

As at the Latest Practicable Date, our business relationships with the five largest customers ranged from approximately 1 year to 8 years. For the two years ended 31 August 2016, we served approximately 130 customers each year, with revenue generated from our largest customer accounted for approximately 20.3% and 31.3% respectively, of our total revenue.

Our Directors believe that we can leverage on our relationship with these customers to increase our chance to receive invitations to tender from them for their future projects.

Experience in a substantial number of sites in Hong Kong

Our Directors believe that if we receive invitation to tender for a project that we worked on the site in the past, we have a competitive advantage over competitors who did not work on the site before since we are more familiar with the site. This can be demonstrated by our success rates to renew expired maintenance projects for each of the two years ended 31 August 2016 which reached approximately 70.1% and 77.8% respectively. We had 701 and 811 maintenance projects and 1,937 and 2,829 installation projects with revenue contribution for each of the two years ended 31 August 2016 respectively and shared about 14.5% of the industry revenue in 2015 according to the F&S Report.

BUSINESS

Stable and experienced management team

Our experienced and dedicated management team develops overall strategies for our Company. Our management team is led by Dr. Ng, our chief executive officer, Executive Director and chairman of our Board, who has over 15 years of experience in the industry. Mr. Law and Mr. Ling, our Executive Director and project manager respectively, also have more than 31 years and 13 years of experience in the industry, respectively. In addition, we have 25 staff in our installation teams and 98 staff in our maintenance teams as at the Latest Practicable Date. We believe that our experienced management team possesses the core skills and experience to formulate detailed and well-planned work processes and provide quality services to our customers. For the experience and qualifications of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

Established relationship with suppliers and subcontractors

As at the Latest Practicable Date, we have maintained stable and established business relationship with our top five suppliers for a period ranging from around 1 to 11 years and with our top five subcontractors for a period ranging from around 1 to 5 years. For details of our top five suppliers and subcontractors, please refer to the paragraphs headed “Business – Suppliers” and “Business – Outsourcing” in this prospectus. Our Directors believe that our relationship with suppliers and subcontractors enables us to secure stable source of product supply and services and also to have their continuous support in our business solutions.

BUSINESS STRATEGIES

Our goal is to continue to be one of the leading ELV solutions providers in Hong Kong. By adopting the business strategies set out below, we plan to continue to expand our business and strengthen our market position in Hong Kong.

Expanding our existing ELV solutions business by offering instalment payment option to our customers

We had offered and secured several projects with the instalment payment option before the Track Record Period. Installment payment option requires us to pay the cost of the solutions provided to the customer and allows the customer to repay us monthly over a period of time. In general, the repayment period ranged from 18 to 48 months.

BUSINESS

Based on our available internal record which we kept for the last 10 years, the most recent projects in which we offered instalment payment option to customers were three installation projects we undertook in 2012 and 2013. Details of the three projects we offered with instalment payment option before the Track Record Period are as follows:

	Time of contract	Type of solutions provided	Contract sum	Annual premium charged against one-off payment option (Note)
1.	August 2012	Installation of car park system	HK\$163,200 (for 48 month instalment)	10%
2.	May 2013	Installation of car park system	HK\$263,400 (for 18 month instalment)	10%
3.	November 2013	Installation of car park system	HK\$583,000 (for 48 month instalment)	10%

Note:

The annual premium is calculated by dividing the additional contract sum we charged per year for the project with instalment payment option by the contract sum we proposed to the customer for the same project with one-off payment option.

The customers of the above projects with instalment payment option were in the private sector and did not have any default in making the instalment payments. Accordingly, we did not encounter material adverse impact on our liquidity or financial position when we launched the payment instalment option for the above installation projects before the Track Record Period.

We ceased to offer such option during Track Record Period as we need to bear the cost of our solutions provided to customers at the beginning and be paid over a longer period of time, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purpose. We will have sufficient capital for the projects with instalment payment arrangement on top of the general working capital for our operation after Listing, so we started offering instalment payment option again in September 2016. We have given out offers of instalment payment option to 11 potential customers in recent months since September 2016, and have not entered into any project with this payment arrangement as at the Latest Practicable Date.

This option is (i) beneficial to the customers as it allows the customers to spread out their capital outlay over a period of time rather than paying a lump sum and (ii) enables them to better plan their future cashflow ahead as they know exactly when and how much they have to pay. In addition, it is beneficial to our Group in the following ways:

- i. As mentioned in the F&S report, it is an industry norm that ELV integrated service providers offering instalment options to their customers in the ELV integrated service market. Our Directors believe that the offering of this payment option enables us to maintain our competitiveness.

BUSINESS

- ii. In general, we provide maintenance services during the instalment payment period. Therefore, by offering this instalment payment option, our Group has a continuous business relationship with the customers during a period of 18 to 48 months and our Directors believe such continuous business relationship can facilitate our Group to explore potential business opportunities and market our services from time to time.
- iii. The price of our solutions provided under this payment option is higher and if the customers prefer such payment option, we can enhance our profitability accordingly. During the Track Record Period, the gross profit margin of our installation service segment was approximately 40.1% and 49.0% for the financial years ended 31 August 2015 and 2016 respectively. Our Directors, after taking into account the premium we charged for projects with instalment payment option before the Track Record Period, expect that we can charge an annual premium of approximately 9.0% for the instalment payment option. Therefore, as an example, for an installation project of a contract sum of HK\$1.0 million, we can increase the contract sum to approximately HK\$1.4 million with an instalment payment option for four years. Given the cost of the project will remain the same, our expected gross profit margin will increase from approximately 40% to approximately 56% with the instalment payment option.

We must have sufficient capital for the projects with instalment payment arrangement on top of the general working capital for our operation. We target to provide the instalment payment option for installation works such as car park systems and access control systems with standard contract period of 48 months. We consider that as our liquidity and financial position will be enhanced by the net proceeds to be received by us from the Share Offer, and our customers had engaged us to install car park systems and access control systems with contract value of more than HK\$2 million during the Track Record Period, we will also be able to provide the instalment payment option for those installation works with contract value which may be higher than those of the contracts offered by us before the Track Record Period. Our Directors decide that the provision of instalment payment option is targeted exclusively to our installation works of car park systems and access control systems as a starting point as they are the areas in which we have experience in providing instalment payment option before the Track Record Period. Moreover, our Directors decide that the instalment payment option is provided with a contract period of 48 months because such contract period is set in line with the industry norm of 48 months as mentioned in the F&S Report, and is not longer than the maintenance cycle of car park systems and security systems, which is estimated to be 5.6 and 6 years based on our Group's experience.

BUSINESS

The following table set forth the key terms regarding the instalment payment option we target to provide to our customers:

Key terms	Description
Term and Rentals	<p>The customer hires the ELV solutions for a specific period at an agreed amount of monthly rental. So long as the customer is neither in default in the payment of any sum of money payable, nor is in breach of any of the covenants on its part to perform in the instalment payment agreement, it may peaceably hold and enjoy quiet possession of the solutions for the term of the hiring.</p>
Ownership of Solutions	<p>Our Group shall at all times during the term of the hiring retain the ownership of the solutions.</p> <p>Our Group agrees that if the customer shall pay punctually the rentals or other sums due from the customer under the agreement and shall strictly observe and perform all the terms, conditions and obligations on the customer's own part contained in the agreement, the customer shall have:</p> <ul style="list-style-type: none">(i) the option to purchase the solutions at a nominal amount; and(ii) upon such purchase title to the solutions shall pass to the customer or that the ownership of the solutions shall automatically pass to customer upon the expiration of the term of the hiring.
Return of the Solutions	<p>Unless the ownership of the solutions is passed to the customer as mentioned above, the customer:</p> <ul style="list-style-type: none">(i) shall deliver up the solutions serviced and maintained and in good repair and working order at the expiration of the term of the hiring or upon earlier termination of the agreement at such address in Hong Kong as our Group shall notify the customer; and

BUSINESS

Key terms	Description
Default or Breach	<p data-bbox="643 329 1369 559">(ii) if necessary shall allow our Group, its agents or representatives access to any premises where the solutions may be for the purpose of removing them and at our Group's request and as its agent to sell the solutions at the best price reasonably available and on such terms as our Group may require.</p> <p data-bbox="643 602 1369 708">(i) Upon the occurrence of a total loss or constructive loss of the solutions, the hiring of the solutions shall terminate.</p> <p data-bbox="643 751 1369 942">(ii) Without prejudice to our Group's right to arrears of rentals or other sums due or for damages for breach of the agreement, our Group may terminate the hiring under the agreement on the occurrence of any of the following events:</p> <ul data-bbox="707 985 1369 1589" style="list-style-type: none"><li data-bbox="707 985 1369 1134">a. if the customer shall not pay any of the rentals or any sums agreed to be paid by the customer to our Group under the agreement punctually on the date when due; or<li data-bbox="707 1176 1369 1240">b. if the customer shall be in breach of any term of the agreement; or<li data-bbox="707 1283 1369 1389">c. if the customer shall do or allow to be done any act or thing that may prejudice or endanger our Group's property or rights in the solutions; or<li data-bbox="707 1432 1369 1589">d. if the customer shall be liquidated or wound up or have a petition for winding up presented against it or pass a resolution for voluntary winding up (otherwise than for a bona fide reconstruction); or

BUSINESS

Key terms	Description
	<p>e. if a petition for the appointment of an administrator is presented against the customer or if the customer has a receiver or administrative receiver appointed; or</p> <p>f. if the customer shall convene any meeting of its creditors or make a deed of assignment or arrangement or otherwise compound with its creditors;</p> <p>whereupon our Group's consent to the customer's possession of the solutions shall terminate immediately and our Group may take possession of the solutions wherever they may be.</p>
Consequences of the Termination	<p>Forthwith upon the hiring of the solutions being terminated, the customer shall pay to our Group the aggregate of the following sums less the net proceeds from the sales of the solutions:</p> <p>(i) all arrears of rent including apportioned rent for any broken period; and</p> <p>(ii) damages for any breach of the agreement and all expenses and costs incurred by our Group in retaking possession of and selling or attempting to sell the solutions and/or enforcing its rights under the agreement.</p>

In connection with this, we intend to allocate approximately HK\$12.0 million of the proceeds from the Share Offer for these projects.

BUSINESS

If we continue to offer instalment payment option to customers with the use of capital resources in addition to the net proceeds from the Share Offer, we will be required to pay the costs of our solutions provided to customers at the beginning and be paid over a longer period of time, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes. Moreover, if any of our customers choosing the instalment payment option is in material default of the payment obligation under the contract with us, we may not be able to effect re-possession or re-sale of the solutions provided in a timely manner or at all and we may incur costs to effect such re-possession or re-sale.

To reduce our exposure to the above liquidity risk and credit risk, we implement the following risk control policies:

- (i) Approval: For contract sum below HK\$50,000.00, approval of either an Executive Director or head of our sales team is required. For contract sum between HK\$50,000.00 and HK\$500,000.00, approval from both of an Executive Director and head of our sales team is required. For contract sum over HK\$500,000.00, apart from approval from both of an Executive Director and head of our sales team, additional credit check and approval is required by our head of accounting department;
- (ii) Credit Check: For approval of contracts of instalment payment option, the following criteria are considered:
 - a. For existing customers, we check with the accounting department to see if there has been any record of default payment of the customer for the past two years. No approval is allowed if there has been any record of default payment.
 - b. For new customers with the particular contract sum exceeding HK\$0.5 million, except for customers which are government departments, companies listed on the Stock Exchange or incorporated owners in Hong Kong, approval is only granted if no negative aspect is found from all of the following background searches:
 - i. company searches of the customer for the past two years;
 - ii. media searches on the customer for the past two years;
 - iii. litigation searches on the customer for the past two years; and
 - iv. litigation searches on the customer's individual directors for the past two years.
- (iii) Retention of Title: Our Group retains the legal title of the equipment under such instalment payment option arrangement until the payment is fully settled; and

BUSINESS

- (iv) Mitigation of liquidity risk: Liquidity risk refers to the risk that we are unable to obtain sufficient funds in a timely manner and at a reasonable cost to cope with asset growth or settle due debts although we are solvent. Our Group will mitigate the said liquidity risk by adopting the following measures:
- a. In the light of the demand for fund as a result of the offer of the instalment option, we mitigate the liquidity risk by only applying approximately HK\$12 million (or 38.1% of the net proceeds from the Share Offer) for offering the instalment payment option to our customers. Accordingly, no contract for installation work with instalment payment option is allowed to have contract sum exceeding HK\$1.6 million, and the aggregated contract sum of all contracts for installation work with instalment payment option is not allowed to exceed HK\$27 million, which amount is arrived at by assuming that HK\$12 million from the net proceeds of the Share Offer is used as the costs of sales for projects with instalment payment option, and such projects are expected to have an expected gross profit margin of approximately 56% as mentioned above. Our head of accounting department will review monthly the adherence to the said contract limit of HK\$1.6 million and the said aggregated contract limit of HK\$27 million.
 - b. As a risk mitigation measures against the liquidity risk arising from the collection of any receivables from the customers paying by installment, our head of accounting department will be responsible for monitoring the accounts receivable aging report of our Group on a monthly basis to ensure that our customers are paying their monthly instalment payments on time. Our Group will issue written reminder to the relevant customer for any monthly instalment payment that is due over 60 days. For monthly instalment payment that is due over 90 days, our Group will commence appropriate legal actions against the relevant customer to gain the possession of equipment as well as claim for any damages.

Obtaining additional licences and qualifications

The Directors believe that our various licences and qualifications give us a competitive advantage over competitors as these licences and qualifications enable us to provide a comprehensive solution to our customers. As such, we will continue to obtain additional licences and qualifications in order to provide more services to our customers.

BUSINESS

As at the Latest Practicable Date, there are currently approximately 70 sewage plants in Hong Kong. As such, in the next two years, we target to be selected under the category “Electrical and Mechanical Installation for Sewage Treatment and Screening Plant” on the list of approved suppliers of materials and specialist contractors for public work for the Development Bureau. This will enable us to become a main contractor to projects in relation to sewage treatment and screening plant, and the Directors believe that being qualified as a main contractor in such projects will provide more certainty in securing our role in the project than only acting as a subcontractor. Once we secure the project, we can achieve higher profit margin than acting as a subcontractor.

In order to achieve this, among others, we have to complete two relevant job references. We expect to obtain the first reference after we complete our current maintenance project (with project code P21) for Customer A, in which we act as a subcontractor to provide maintenance, modification and installation works of electronic and E&M control systems at various sewage treatment works and their outstations (including Sewage Treatment Works and outstations in Shek Wu Hui, Yuen Long, Sham Tseng, Shatin, Sai Kung, Tai Po, Siu Ho Wan, Stonecutters Island). We will continue our relationship with Customer A, which we have business relationship for 6 years, to cooperate to bid for projects similar to one of our current maintenance project (with project code P21). Please refer to the paragraph headed “Business – Projects – Our top 10 maintenance projects by project” for further details. The Directors expect to complete the second relevant job reference by mid of 2018.

Apart from the two relevant job references, other conditions to obtain this qualification include but not limited to:

- demonstrate that we have the qualified staff including at least a registered professional engineer. In this regard, we plan to hire a registered professional engineer by the end of 2018;
- demonstrate that we have the sufficient relevant equipment for this kind of project. In this regard, we have earmarked HK\$1.0 million of the proceeds to purchase these equipment; and
- maintain a minimum of HK\$3.4 million or a minimum of 15% of project contract sum as working capital and employed capital, whichever is higher.

BUSINESS

Reducing our gearing ratio by repaying certain bank borrowings in an one-off manner

Some of our customers may require our financial information to be submitted along with our tender submission for financial assessment. The requested documents may include our financial statements as well as our bank letters or agreements on existing bank facilities such as term loans and overdraft. In this regard, our Directors consider that it is beneficial to reduce our Group's gearing ratio so as to improve our Group's financial position and increase our tender success rate. In connection with this, we intend to allocate HK\$8.0 million of the proceeds from the Share Offer to repay a revolving term loan of approximately HK\$8.0 million with interest charged at 2.0% per annum below prime rate.

Strengthening our maintenance teams by purchasing equipment and developing new software

Our Directors believe that one of the key strengths for our maintenance service is our formation of six maintenance teams which are designated for different types of maintenance works and for provision of our maintenance services in different districts in Hong Kong. Please refer to the paragraph headed "Business – Our Operations and Services – Operation workflow for maintenance service – Maintenance team receives orders from customer service team" for further details. However, as at the Latest Practicable Date, we have only five commercial vehicles for our maintenance teams to provide maintenance services for our customers located in various and all districts in Hong Kong. We plan to enhance the efficiency of our maintenance teams by:

- (i) purchasing five more commercial vehicles for the teams so they can reach to our customers faster;
- (ii) purchasing two street lamp cars to strengthen our team's capability;
- (iii) engaging external professionals to develop a new mobile app for our customers to place their orders for maintenance service.

In connection with this, we intend to allocate approximately HK\$4.5 million of the proceeds from the Share Offer to purchase equipment and develop software.

BUSINESS

Our Directors are of the view that there is a practical need to improve the Group's project capability and efficiency by acquiring additional commercial vehicles and street lamp cars because of its benefits of enhancing the Group's capability on securing the successful bidding of governmental projects of large scale. Additional commercial vehicles and street lamp cars will provide the Group with more capacity to fulfill several common contractual requirements of the governmental maintenance projects:

- (a) **Response Time Requirement:** where the scope of governmental maintenance projects covers emergency maintenance services, the service requirements of which usually require the maintenance team of our Group to arrive at the site of incident to carry out immediate emergency services within the time limit stipulated in the contract. As the time limit of arrival for urgent emergency services usually ranges from 1 hour to 1.5 hour from the time the fault call is received, our Directors are of the view that additional vehicles are needed to fulfil such requirement of governmental maintenance contracts of large scale and to ensure operational efficiency particularly in case of urgent maintenance;
- (b) **Access Permit:** our Group is usually required under government's contract to obtain at our own cost the access permit to the maintenance sites. As the access permits to many of the governmental areas are usually granted to both drivers and vehicles, our Group cannot rely on vehicles rented by third parties for the provision of services. Thus, our Directors are of the view that additional vehicles are needed for the fulfilment of this requirement in governmental maintenance contracts;
- (c) **Street Lamp Cars:** as some of the governmental maintenance projects include services where street lamp cars are necessary for its performance, our Directors are of the view that additional street lamps cars are needed for the successful bidding of such contracts.

If we resort to the rental of the said five commercial vehicles and two street lamp cars, the total rental costs of the said five commercial vehicles and two street lamp cars, based on the prevailing market rate and the assumption of their useful life of four years, are estimated to be approximately HK\$2.0 million and HK\$8.2 million, respectively. Therefore, our Group plans to invest approximately HK\$1.0 million for acquiring five new commercial vehicles and approximately HK\$2.0 million for acquiring two new street lamp cars for supporting its services. Assuming the useful life of the commercial vehicles and street lamp cars is four years, the annual depreciation for five commercial vehicles and two street lamp cars amounts to HK\$750,000, and the annual running costs comprising insurance, licence fees and repair and maintenance are estimated to be HK\$252,000 per year. Thus the total depreciation and running costs for five commercial vehicles and two street lamp cars for four years are estimated to be approximately HK\$4.0 million, which will be cheaper than the rental of such vehicles. For further details of the implementation plan, please refer to the paragraph headed "Future plans and use of proceeds – Implementation plan" in this prospectus.

BUSINESS

BUSINESS AND REVENUE MODEL

Our Group's revenue is derived from the installation of various systems and provision of maintenance service during the Track Record Period. We recognise our revenue by reference to the stage of completion of the contract at the end of the financial reporting period. Our customers come from both private and public sectors. We source hardware as well as systems from our suppliers and outsource to our subcontractors certain installation works.

The following table sets forth a breakdown of our revenue by our two service types during the Track Record Period:

Service type	Year ended 31 August			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Installation	30,262	54.0	49,146	61.2
Maintenance	<u>25,804</u>	<u>46.0</u>	<u>31,192</u>	<u>38.8</u>
Total	<u><u>56,066</u></u>	<u><u>100.0</u></u>	<u><u>80,338</u></u>	<u><u>100.0</u></u>

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

Customer type	Year ended 31 August			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Public sector	14,512	25.9	32,264	40.2
Private sector	<u>41,554</u>	<u>74.1</u>	<u>48,074</u>	<u>59.8</u>
Total	<u><u>56,066</u></u>	<u><u>100.0</u></u>	<u><u>80,338</u></u>	<u><u>100.0</u></u>

BUSINESS

The following table sets forth a breakdown of our number of project by customer types during the Track Record Period:

Customer type	Year ended 31 August	
	2015	2016
Public sector	509	1,308
Private sector	<u>2,129</u>	<u>2,332</u>
Total	<u>2,638</u>	<u>3,640</u>

Our ELV solutions are primarily on central control monitoring systems. We also provide ELV solutions on telecommunications and broadcasting services.

(i) Central control monitoring systems

Central control monitoring systems refer to all of the wide variety of systems relating to management of a single block of building, residential development, commercial and industrial buildings, sewage treatment facilities, hospitals or other government facilities. As at the Latest Practicable Date, we are one of the Octopus authorised contractors for club house company, Octopus authorised car park contractors companies and Octopus authorised contractors for access control system company. As the central control monitoring systems cover a wide variety of ELV systems, our top 10 installation projects during each of the two years ended 31 August 2015 and 2016 primarily involved central control monitoring systems. Please refer to the paragraph headed “Projects – Our top 10 installation projects by revenue” below in this section for further details.

The key central control monitoring systems we install and maintain include:

Security system

We provide total security solutions including but not limited to access control, CCTV, burglar alarm, time attendance, elevator control and door phone entry system. For example, during the Track Record Period, we installed a smartcard access control system for a residential development in Mei Foo and a residential development in Kowloon Tong.

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Car park system

The car park access system includes but not limited to the barrier gates, car park entrance station, car park exit station, electronic payment clearing unit, signage, CCTV, height detector and the controlling system. For example, during the Track Record Period, we supplied and installed car park access control system for a residential development in Tseung Kwan O and Haven of Hope Hospital.

Clubhouse management system

Our clubhouse management system provides a graphical interface for facility booking and time enquiry.

Other systems

Apart from the above, we also provide installation and/or maintenance on other systems that are specific for particular facilities. For example, during the Track Record Period, we were engaged to provide maintenance services of electronic works for the Government's sports grounds and sewage treatment facilities. We were also engaged in the installation of PA system for Fire Services Training School in Tseung Kwan O.

(ii) Telecommunications and broadcasting services

We have the relevant qualifications and licences to provide installation and maintenance services for telecommunications and broadcasting services. Currently, the most common systems are CABD System and SMATV System.

CABD System is usually installed inside a building to receive free-to-air TV/FM signals transmitted via radio frequencies and distribute them to the audience. SMATV System is usually installed at the rooftop of a building for satellite television programmes.

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Maintenance Cycle

The following table sets out the estimated maintenance cycle of the major ELV solutions that our Group provides in its installation and maintenance services:

	Maintenance Cycle⁽⁴⁾ (approximate number of years)
Security Systems ^{(1) and (2)}	6.0
Car Park Systems ^{(1) and (2)}	5.6
Clubhouse Management Systems ^{(1) and (2)}	6.7
CABD Systems ⁽³⁾	7.0
SMATV Systems ⁽³⁾	7.0

Notes:

- (1) The estimated maintenance cycle is calculated based on the difference in years between the completion date of the installation contract of an ELV solution provided by the Group to its user and the completion date of the replacement or upgrade contract of the said solution. The figures are calculated by taking the average of the maintenance cycles of the relevant ELV solutions the Group provided to its customers. For this purpose, only the projects where the customers returned to the Group for replacement or upgrade of solutions were included for calculation.
- (2) The calculations of estimated maintenance cycle were made with a number of assumptions, which include that (i) the ELV solutions started to operate on the completion date pursuant to their installation contracts; (ii) the ELV solutions were replaced or upgraded due to the obsolescence, malfunction or collapse of the solutions; (iii) the ELV solutions were not replaced or upgraded during the period on which the calculation of maintenance cycles of such solutions were based (“**Maintenance Cycle Period**”); (iv) the difference in days between the obsolescence, collapse, malfunction of the solutions and the later date of tender pursuant to which the user required a replacement or upgrade of such solution is insignificant; (v) the ELV solutions were in good condition on the date of completion of their installation contracts; and (vi) the ELV solutions were not deliberately damaged, destroyed or destructed during the Maintenance Cycle Period.
- (3) The estimated maintenance cycle for CABD Systems and SMATV Systems is primarily arrived at based on the technology adoption lifecycle of the broadcast technology and with a number of assumptions, which include that (i) the CABD Systems and SMATV Systems are required to be replaced when there is a change of the broadcast technology; and (ii) the CABD Systems and SMATV Systems are in good condition and are not deliberately damaged, destroyed or destructed before they are replaced for there is a change of broadcast technology.

BUSINESS

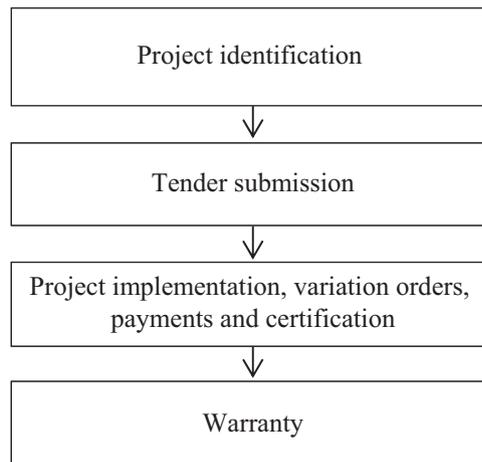
- (4) Please note that the figures disclosed in relation to the estimated maintenance cycle of our major products of ELV solutions that our Group provides in its installation and maintenance services have been prepared based on limited number of sample solutions, respective specifications of the sample solutions and various assumptions, and investor should beware when and if relying on such information. Further, the manner, way, degree, level, extent, duration and frequency of which the ELV solutions are used by their users may vary significantly, which may affect the maintenance cycle of our products. Such figures have been included in this prospectus for reference only and may not be applicable in all cases.

OUR OPERATIONS AND SERVICES

The operations of our Group follow two workflows differentiated by our provision of installation service and maintenance service respectively.

Operation workflow for installation service

The general operation for our installation service is illustrated by the following chart:



Project identification

Our customer service team is responsible to answer calls to our hotline. As at the Latest Practicable Date, the team comprises 5 staff. In general, the calls may be general enquiries, complaints, maintenance request, invitation to tender. The customer service team is required to document all calls and handle them accordingly. If the call is an invitation to tender for installation, our sales team will handle the invitation.

Apart from calls, invitations to tender may also come by post or fax. For some cases, installation may be required during performing maintenance work by us. For example, during a routine check, we may need to replace a broken car park access system.

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Contracts in the public sector in Hong Kong are normally awarded through tendering procedures. Tender invitations may be published in the Government Gazette, on the internet, and all relevant qualified contractors/suppliers are free to submit tenders. In some projects, tenders are by invitations, which are sent out by letter to the qualified contractors/suppliers on the relevant approved contractors or suppliers list as maintained by the relevant Government departments for the purpose of selective tendering.

Tender submission

Once the sales team receives invitation for installation, they will perform an analysis on the potential customer's requirements and may conduct site visits in order to come up with a cost estimation.

After completing the analysis, the sales team will review and evaluate these invitations with our Executive Directors and our Executive Directors will decide whether to bid for the project. Please also refer to the paragraph headed "Sales and marketing – Project selection" in this section for further details.

Once the Executive Directors and the sales team decide to proceed to bid for the project, our customer service team will follow up with the customers.

Project implementation

- If we are awarded the project, our installation team will conduct a preparation meeting to discuss about the overall project plan, material acquisition, contingency, etc.
- As at the Latest Practicable Date, our Group has two regular installation teams comprising 13 and 12 staff.
- Our installation teams are responsible for the implementation of projects, including planning on the allocation of human resources, procurement of requisite raw materials and equipment, and supervision of the performance of works by our subcontractors. A project or contract manager is responsible for the general and routine supervision of the implementation progress of the project, and discuss with and reports to the other parties to the projects, such as the main contractor, architect, consultant, other subcontractors, our subcontractors, and client representative from time to time on the progress of the project, any actual or potential problems encountered, and the client's comments on our quality of services.

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- We may subcontract the labour works for installation works to one or more selected subcontractors based on availability of resources, labour-intensiveness of the work involved and cost effectiveness. We believe that the use of subcontractors is common industry practice and can enhance our flexibility and efficiency. Please see the paragraph headed “Business – Outsourcing” below for further details.
- Upon completion, the sales team and installation teams will conduct site inspection to ensure that work quality is able to meet the standards before delivering the work to the customers. Our customers will examine and sign off the completion of work certification.

Variation orders

Pursuant to a typical contract, we may be given variation orders where our customers amend the specifications and scope of works from that originally contracted. A variation order is generally treated as a new project installation and is therefore made by way of separate purchase order. A variation order may increase, omit or vary the original scope of work and alter the original contract sum. The value for the variation order is agreed between our customer and us. Our Directors confirm that all revenue recorded by the Group during Track Record Period attributable to variation order undertaken by the Group were not under any disputes with the relevant customers.

Payments and certification

We enter into contracts with our customers for our installation service pursuant to which we issue our billings based on project milestones or the actual progress of our work performed. We recognise our revenue by reference to the stage of completion of the contract at the end of the financial reporting period.

We make claims to our customers in respect of the value of the works we have performed and materials delivered to project site, and issue invoices or submit payment applications for the customer’s assessment. Upon submission of a payment application by us, the customer inspects and certifies the amount of work done and the value of materials provided on site. The customer then makes payment with reference to such certificates in accordance with the terms of the contract.

Warranty

Our project contracts usually include a 12-month warranty period. During the warranty period, we generally carry out routine checks and fault checks without any additional costs.

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Operation workflow for maintenance service

Our provision of maintenance services originated from the maintenance contracts generally consist of two service types, namely routine checks and corrective maintenance. Routine checks are performed as preventive maintenance on a regular basis which, depending on the relevant contract, may be weekly, monthly or quarterly, whereas corrective maintenance services are provided in response to maintenance requests received from customers on an ad hoc basis.

Our scope of maintenance services includes system repairing work as well as replacement of parts. If our customer requires the replacement of parts that fall outside the scope of services as specified in the relevant maintenance contract, we treat this as a new installation project which requires a separate tender acceptance.

Maintenance team receives orders from customer service team

Once maintenance team leader receives confirmed orders from customer service team, they will assess the order and then assign the order to the appropriate team members based on their availability and location. As at the Latest Practicable Date, we have six maintenance teams. Four maintenance teams provide general maintenance services for Hong Kong zone, Kowloon zone, New Territories (South) zone, and New Territories (North) zone respectively. The fifth maintenance team is specifically responsible for all car park and smart card related maintenance services and the sixth maintenance team is responsible for the sewage treatment maintenance project.

Once the maintenance service is properly assigned, customer service team will confirm the service schedule with the customers and record on the maintenance timetable.

Technicians are dispatched for maintenance orders

Our technicians are dispatched to customers' premises for maintenance services. An acknowledgement for completion of work will be signed off by both the customer and the technician when the maintenance service is performed. The technician will then submit the acknowledgement for completion of work to the accounting team, who will issue invoice to customer on a regular basis. In the case where installation is required, the request for installation will be passed to the sales team through the customer service team. When our technician, after checking, finds that the maintenance service request is outside our scope of service, he will file a service report to customer service team for follow-up communications with the customer.

BUSINESS

PROJECTS

Number of projects

The following table sets out the breakdown of installation projects in terms of revenue recognised during the Track Record Period by range of revenue:

No. of installation projects	Year ended 31 August	
	2015	2016
HK\$500,000 or above	10	12
HK\$100,000 to below HK\$500,000	33	46
Below HK\$100,000	<u>1,894</u>	<u>2,771</u>
Total	<u>1,937</u>	<u>2,829</u>

The following table sets out the breakdown of maintenance projects in terms of revenue recognised during the Track Record Period by range of revenue:

No. of maintenance projects	Year ended 31 August	
	2015	2016
HK\$100,000 or above	16	22
HK\$50,000 to below HK\$100,000	17	22
Below HK\$50,000	<u>668</u>	<u>767</u>
Total	<u>701</u>	<u>811</u>

BUSINESS

The following table sets out the number of projects in terms of (i) type of contracts entered into and (ii) revenue recognised during Track Record Period:

No. of projects	Year ended 31 August	
	2015	2016
1) Type of contracts entered into the period		
Installation	1,914	2,815
Maintenance	266	334
2) Revenue recognised during the period		
Installation		
– Projects brought forward from prior period	23	14
– ADD: New projects entered during the period	1,914	2,815
– LESS: Projects completed during the period	1,923	2,576
– Projects to be brought forward to next period	14	253
Maintenance		
– Projects brought forward from prior period	435	477
– ADD: New projects entered during that period	266	334
– LESS: Projects expired during that period	224	302
– Projects to be brought forward to next period	477	509

BUSINESS

Projects in progress

Based on our installation contracts on hand, the value of our installation projects in progress (representing the estimated total outstanding contract value for our uncompleted work) as at 31 August 2016 was approximately HK\$4.1 million, of which HK\$2.8 million has been recognised as at the Latest Practicable Date and HK\$1.3 million are expected to be recognised in the year ending 31 August 2017. Moreover, the value of our installation projects in progress as at the Latest Practicable Date was approximately HK\$9.2 million. During the Track Record Period, more than 90% of our installation projects had a contract sum of less than HK\$100,000, and the contract periods of those projects with such relatively smaller contract value were generally within one month. We generally enter into such contracts with the customers within one month before the commencement of our works. Thus our estimated total outstanding contract value for installation contracts on hand as at a particular point of time, for example, the Latest Practicable Date, represents only a small portion of the Group's revenue for each year during the Track Record Period.

Based on our maintenance contracts on hand, the value of our maintenance projects in progress (representing the estimated total outstanding contract value for our services to be provided) as at 31 August 2016 was approximately HK\$25.2 million, of which HK\$7.9 million has been recognised as at the Latest Practicable Date and HK\$8.9 million and HK\$8.4 million are expected to be recognised in the years ending 31 August 2017 and 2018, respectively.

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Our top 10 installation projects by revenue

The following table sets out the top 10 installation projects with the highest revenue contribution to us for the respective years:

For the year ended 31 August 2015

Rank	Project code	Customer	Work description and duration (note 1)	Contract value (note 2) (approximately HK\$'000)	Revenue contributed in the year ended 31 August 2015 (HK\$'000)	Approximate % of our total revenue from installation
1	P1	Customer E	ELV installation nominated subcontract works for a residential development in Kowloon Tong <i>Duration: September 2012 – October 2014</i>	1,458	1,955	6.5%
2	P2	Drainage Sewage Department	Design, supply, installation, testing and commissioning of power quality and energy management system at Tai Po Sewage Treatment Works <i>Duration: January 2012 – January 2016</i>	1,689	1,164	3.9%
3	P3	Electrical and Mechanical Services Department	PA System for Fire Services Training School at Tseung Kwan O <i>Duration: September 2014 – February 2016</i>	2,265	1,075	3.6%
4	P4	Customer F	Installation of smartcard access control system for a residential development in Mei Foo <i>Duration: September 2014 – November 2015</i>	1,023	843	2.8%
5	P5	Octopus	Access control enhancement system development <i>Duration: December 2013 – July 2015</i>	1,331	769	2.5%
6	P6	Customer B	Installation of the HK leading electronic payment system provider's car park system for a residential development in Tseung Kwan O <i>Duration: May 2015 – July 2015</i>	687	681	2.3%
7	P7	Electrical and Mechanical Services Department	Replacement of car park system at Tuen Mun Public Cargo working area <i>Duration: February 2015 – February 2016</i>	986	560	1.9%
8	P8	Customer G	Supply and installation of car park access control system for Haven of Hope Hospital <i>Duration: July 2014 – January 2015</i>	544	544	1.7%
9	P9	Electrical and Mechanical Services Department	Design, supply, delivery, installation, upgrading, testing, commissioning and warranty of supervisory control and data acquisition system for Shek Wu Hui Sewage Treatment Works <i>Duration: May 2012 – October 2014</i>	2,173	540	1.7%
10	P10	Customer B	Installation of the HK leading electronic payment system provider's car park system for a residential development in Tseung Kwan O <i>Duration: August 2014 – February 2015</i>	660	535	1.7%
				Total:	8,666	28.6%

BUSINESS

For the year ended 31 August 2016

Rank	Project code	Customer	Work description and duration (note 1)	Contract value (note 2) (approximately HK\$' 000)	Revenue contributed in the year ended 31 August 2016 (HK\$' 000)	Approximate % of our total revenue from installation
1	P11	Customer H	Replacement of CCTV at outlying pumping stations in North West New Territories region <i>Duration: December 2015 – July 2016</i>	3,315	2,984	6.1%
2	P3	Electrical and Mechanical Services Department	PA System for Fire Services Training School at Tseung Kwan O <i>Duration: September 2014 – October 2015</i>	2,265	1,907	3.9%
3	P13	Customer I	Installation and improvement of CCTV and security access gate system for a residential development in Quarry Bay <i>Duration: May 2016 – October 2016</i>	2,100	1,643	3.3%
4	P14	Customer C	Supply and installation of security access gate system for a commercial building in Central <i>Duration: August 2014 – October 2015</i>	2,390	1,639	3.3%
5	P15	Electrical and Mechanical Services Department	Replacement of car park system at Rambler Channel public cargo working area <i>Duration: April 2015 – August 2016</i>	1,343	1,276	2.6%
6	P16	Architectural Services Department	Upgrading of digital terrestrial television signal for Tong Fuk Correctional Institution <i>Duration: September 2015 – January 2016</i>	1,222	1,222	2.5%
7	P7	Electrical and Mechanical Services Department	Replacement of car park system at Tuen Mun public cargo working area <i>Duration: February 2015 – February 2016</i>	986	937	1.9%
8	P4	Customer F	Installation of smartcard access control system for a residential development in Mei Foo <i>Duration: September 2014 – November 2015</i>	1,023	804	1.6%
9	P19	Electrical and Mechanical Services Department	Provision of additional wireless microphones to existing PA system at Fire Services Training School <i>Duration: February 2016 – March 2016</i>	674	674	1.4%
10	P20	Architectural Services Department	Upgrading of digital terrestrial television signal for Sha Tsui Detention Centre Barrack accommodation <i>Duration: June 2016 – July 2016</i>	634	634	1.3%
				Total:	<u>13,720</u>	<u>27.9%</u>

Notes:

- The duration of work refers to the period from the date of commencement of work stated in the original tender document or contract to the date of completion of work stated in the practical completion certificate or job completion certificate (if available) or in the original tender document or contract.
- The contract value refers to the contract value stated in the original tender document or contract, which is subject to adjustment due to variation orders.

BUSINESS

Our top 10 maintenance projects by revenue

The following table sets out the top 10 maintenance projects with the highest revenue contribution to us for the respective years:

For the year ended 31 August 2015

Rank	Project code	Customer	Work description and duration (note 1)	Contract value (note 2) (approximately HK\$'000)	Revenue contributed in the year ended 31 August 2015 (HK\$'000)	Approximate % of our total revenue from maintenance
1	P21	Customer A	Maintenance, modification and installation works of electronic and E&M control systems at various sewage treatment works and their outstations (including Sewage Treatment Works and outstations in: Shek Wu Hui, Yuen Long, Sham Tseng, Shatin, Sai Kung, Tai Po, Siu Ho Wan, Stonecutters Island) <i>Duration: December 2014 – November 2017</i>	53,389	10,545	40.9%
2	P22	Electrical and Mechanical Services Department	Maintenance and repair of burglar alarm and security installations at various premises of the Government (Health Sector Division, Municipal Sector Division, Transport, Security & Central Services Division) <i>Duration: December 2014 – November 2017</i>	11,206	1,625	6.3%
3	P23	Electrical and Mechanical Services Department	Maintenance of electronic engineering works for Wanchai Sports Ground <i>Duration: August 2013 – August 2015</i>	3,621	1,623	6.3%
4	P24	Leisure and Cultural Services Department	Maintenance and support services to the Leisure Link Self-Service Kiosk System <i>Duration: April 2014 – April 2015</i>	1,237	831	3.2%
5	P25	Electrical and Mechanical Services Department	Maintenance of Andover Central Control and Monitoring System and access control systems at Castle Peak Hospital, Tuen Mun Hospital, Tuen Mun Eye Centre and Siu Lam Hospital <i>Duration: October 2014 – October 2016</i>	720	330	1.3%
6	P26	Drainage Services Department	Maintenance of electronic system of for Hong Kong West Drainage Tunnel and associated works <i>Duration: December 2013 – November 2015</i>	582	283	1.1%
7	P27	Leisure and Cultural Services Department	Maintenance and support services to the Leisure Link Self-Service Kiosk System <i>Duration: May 2015 – May 2016</i>	1,162	238	0.9%
8	P28	Customer C	Maintenance of building management systems (CCTV, Security and PA System) for South Horizons <i>Duration: January 2015 – December 2016</i>	684	228	0.9%
9	P29	Drainage Services Department	Operation and maintenance of Shatin Sewage Treatment Information Centre at Shatin Sewage Treatment Works <i>Duration: December 2014 – November 2015</i>	369	210	0.8%
10	P30	Electrical and Mechanical Services Department	Maintenance, repair, alterations, additions and improvement for broadcast reception installation and SMATV System for the Government <i>Duration: December 2014 – May 2015</i>	207	207	0.8%
Total:					<u>16,120</u>	<u>62.5%</u>

BUSINESS

For the year ended 31 August 2016

Rank	Project code	Customer	Work description and duration (note 1)	Contract value (note 2) (approximately HK\$'000)	Revenue contributed in the year ended 31 August 2016 (HK\$'000)	Approximate % of our total revenue from maintenance
1	P21	Customer A	Maintenance, modification and installation works of electronic and E&M control systems at various sewage treatment works and their outstations (including Sewage Treatment Works and outstations in: Shek Wu Hui, Yuen Long, Sham Tseng, Shatin, Sai Kung, Tai Po, Siu Ho Wan, Stonecutters Island) <i>Duration: December 2014 – November 2017</i>	53,389	13,531	43.4%
2	P22	Electrical and Mechanical Services Department	Maintenance and repair of burglar alarm and security installations at various premises of the Government (Health Sector Division, Transport, Municipal Sector Division, Transport, Security & Central Services Division) <i>Duration: December 2014 – November 2017</i>	11,206	2,271	7.3%
3	P33	Electrical and Mechanical Services Department	Provision of operation and maintenance works for electronic equipment at Wan Chai Sports Ground <i>Duration: December 2015 – November 2018</i>	1,389	1,313	4.2%
4	P34	Electrical and Mechanical Services Department	Maintenance, repair, alterations, additions and improvement for broadcast reception installation and SMATV System for the Government of Hong Kong <i>Duration: December 2015 – November 2018</i>	9,817	832	2.7%
5	P35	Electrical and Mechanical Services Department	Comprehensive maintenance services of vehicle management system at central mail centre <i>Duration: December 2015 – November 2017</i>	840	420	1.3%
6	P36	Architectural Services Department	Maintenance, repair, alterations, additions and improvement for broadcast reception installation and SMATV for the Government of Hong Kong <i>Duration: June 2015 – November 2015</i>	380	385	1.2%
7	P25	Electrical and Mechanical Services Department	Maintenance of Andover Central Control and Monitoring System and access control systems at Castle Peak Hospital, Tuen Mun Hospital, Tuen Mun Eye Centre and Siu Lam Hospital <i>Duration: October 2014 – October 2016</i>	720	360	1.2%
8	P28	Customer C	Maintenance of building management systems (CCTV, Security and PA System) for South Horizons <i>Duration: January 2015 – December 2016</i>	684	342	1.1%
9	P39	Electrical and Mechanical Services Department	Comprehensive maintenance services for ELV systems at Kai Tak Cruise Terminal <i>Duration: January 2016 – December 2016</i>	468	234	0.8%
10	P40	Customer J	Maintenance of car park access control system in Saikung <i>Duration: May 2014 – April 2018</i>	864	217	0.6%
				Total:	<u>19,905</u>	<u>63.8%</u>

Notes:

- The duration of work refers to the period from the date of commencement of our services to the date of completion of our services stated in the original tender document or contract.
- The contract value refers to the contract value stated in the original tender document or contract, which is subject to adjustment due to variation orders.

BUSINESS

SALES AND MARKETING

Marketing policy

Our Directors believe that in general, when our key potential customers (such as Government departments, property developers, property management companies, contractors and security companies) have new projects and require installation and/or maintenance services, they will refer to relevant register of contractors or suppliers and list of approved contractors prepared by the respective Government departments. Certain such registers and lists are publicly available from relevant authorities. We have obtained various qualifications and licences from various Government departments. For details, please refer to the paragraph headed “Business – Key qualifications and licences” in this prospectus. As such, we do not spend much on marketing and promotion for new business.

Project selection

All our business was awarded by tenders during the Track Record Period. Our Directors believe that we have established good relationship with our existing customers over our 13 years in the industry. This enables us to provide our existing customers with continuous maintenance services and/or future system upgrade services as well as to attract new customers in installation opportunities.

During the Track Record Period and up to the Latest Practicable Date, we have received various invitations to tenders. Our Executive Directors and sales team (if installation) and our customer team (if maintenance) would review and evaluate these invitations and decide whether to bid for the project. The key factors on whether to proceed with the tender include but not limited to whether we have obtained the relevant licences and qualification to complete the project, whether we have the capacity to complete the project on time and up to standard, the complexity of the project and the estimated costs. The following table sets out our success rates by service type during our Track Record Period based on our internal record:

Service type	Year ended 31 August					
	2015			2016		
	Number of tender submissions	Number of successful tender	Success rate (%)	Number of tender submissions	Number of successful tender	Success rate (%)
Installation	6,959	1,914	27.5	7,801	2,815	36.1
Maintenance – new	467	109	23.3	448	99	22.1
Maintenance – renew	<u>224</u>	<u>157</u>	70.1	<u>302</u>	<u>235</u>	77.8
Total	<u>7,650</u>	<u>2,180</u>	<u>28.5</u>	<u>8,551</u>	<u>3,149</u>	<u>36.8</u>

BUSINESS

During the Track Record Period, we recorded relatively low success rates for installation and new maintenance projects. It is due to our pro-active strategy to prepare and submit as many tenders as we could in order to secure as many projects as we could during the Track Record Period. In this way, we would build up our customer network as fast as we can. Nevertheless, the success rates of our tenders for installation works and maintenance works increased for the year ended 31 August 2016 when comparing with the success rates for the year ended 31 August 2015. As we have submitted more tenders in the year ended 31 August 2016, the increase in the success rate is consistent with the increase in the number of projects we entered into as well as the increase in our revenue for such year. In addition, the increase in success rate did not have any material adverse impact on our gross profit margin given that our overall gross profit margin during the Track Record Period had an increase of approximately 4.6%. Please also refer to the paragraph headed “Financial information – Description of selected components of combined statements of profit or loss and other comprehensive income – Gross profit and gross profit margin” for details.

Pricing policy

The terms of our contracts (including service fee) are negotiated between our customers and our Company. In general, the terms are determined on a project-by-project basis. During the Track Record Period, we prepared our tenders based on our estimated cost of material and equipment and subcontracting cost plus a mark-up margin. We used to estimate the cost of material and equipment and subcontracting cost by obtaining quotations from the approved suppliers and subcontractors.

During the Track Record Period, in determining our said mark-up margin for each installation work, we primarily considered the factors including: (i) scope of our services; (ii) complexity of the design and installation works; (iii) duration of the project; (iv) costs of equipment to be installed; (v) the level of human resources to be involved; and (vi) training and on-site presentation needed. In determining our said mark-up margin for maintenance works, we generally considered the factors including: (i) scope of maintenance services; (ii) duration of the maintenance services; (iii) the level of human resources to be involved; and (iv) costs of materials to be replaced or fixed. The mark-up margin usually comprised two parts: (i) an amount specifically reserved for our internal cost of human resources (which amount is generally equivalent to approximately 20% of the total estimated costs) and (ii) a target profit. We used to set the final mark-up margin after taking into consideration the chance of obtaining the job with the determined tender price and that the tender price would be able to cover all of our estimated costs for the project as well as generate a profit.

During the Track Record Period, the gross profit margin of our installation service segment was higher than that of our maintenance segment, as (i) we intended to attract more projects and further establish our reputation in the industry; and (ii) we were the subcontractor of several maintenance works and the gross profit margin of subcontractor tends to be lower.

BUSINESS

For the purpose of monitoring closely the profitability of each of the projects we handle, on 1 January 2017, we effected an enhanced internal control policy pursuant to which we prepare our tenders based on both the estimated cost of material and equipment and estimated labour cost of each project plus a mark-up margin.

Credit policy

Our Group does not have a standardised and universal credit period granted to our customers. We issue our invoices to the customers in accordance with the relevant purchase orders or contracts. Unless otherwise stated in the relevant purchase orders or contracts, our accounting team informs customer services team of any unsettled invoices for 30 days or more and our customer services team contacts the relevant customers for settlement of the outstanding invoice.

In addition, in some installation projects, the work we handled only formed part of the customer's entire system, and the customer also engaged other contractors to handle the other parts of the system. In such case, only until every contractor finished their respective work, the customer would not be able to test the functioning of the entire system. As confirmed by our Directors, it is the industry practice that the customer would only pay the contractors when the testing of the entire system is satisfactorily performed and completed.

Payments from our customers are generally settled by cheque or bank transfer.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any bad debt or provisioning made for our trade receivables.

CUSTOMERS

We serve customers in both private and public sectors. Our customers in the private sector mainly consist of property developers and property management companies in Hong Kong whereas our customers in the public sector are mainly Government departments such as Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc. We had served approximately 130 customers for each of the two years ended 31 August 2015 and 2016, respectively.

For each of the two years ended 31 August 2015 and 2016, the revenue from our five largest customers amounted to approximately HK\$34.1 million and HK\$54 million, respectively, accounting for approximately 60.8% and 70.1% of our total revenue, respectively; and our largest customer accounted for approximately 20.3% and 31.3% of our total revenue, respectively.

BUSINESS

The following two tables set forth the details of our five largest customers during the Track Record Period:

Five largest customers for the year ended 31 August 2015

Rank	Customer	Background	Project nature (public/private sector)	Year of business relationship with our Company as at the Latest Practicable Date	Revenue contributed (HK\$'000)	Approximate % of our total revenue
1	Customer A	A group of companies the holding company of which is listed on the Stock Exchange of Hong Kong. The principal activities of Customer A include, among others, construction and engineering, insurance and investment, property and hotel, lifestyle food and beverage and information technology.	Private	6	11,401	20.3%
2	Electrical and Mechanical Services Department	Government department	Public	4	8,746	15.6%
3	Customer B	A construction company listed in the Stock Exchange of Hong Kong. The principal activities of Customer B include building construction, civil engineering, electrical and mechanical installation, interiors and special projects, property development and investment, and provision of property and facility management services.	Private	6	7,116	12.7%
4	Customer C	A group of companies the holding company of which is listed on the Stock Exchange of Hong Kong. The core businesses of Customer C include, among others, ports and related services, retail, infrastructure, energy, telecommunications and finance and investments.	Private	7	3,499	6.2%
5	Customer D	A property development group the holding company of which is listed on the Stock Exchange of Hong Kong. The principal activities of Customer D include, among others, property ownership and development, investments and treasury, property services businesses, hotels and entertainment.	Private	8	3,338	6.0%
Total:					<u>34,100</u>	<u>60.8%</u>

Note: All of the five largest customers for the year ended 31 August 2015 were repeated customers which had engaged our Group to provide services for more than once.

BUSINESS

Five largest customers for the year ended 31 August 2016

Rank	Customer	Background	Project nature (public/private sector)	Year of business relationship with our Company as at the Latest Practicable Date	Revenue contributed (HK\$'000)	Approximate % of our total revenue
1	Electrical and Mechanical Services Department	Government department	Public	2	25,169	31.3%
2	Customer A	A group of companies the holding company of which is listed on the Stock Exchange of Hong Kong. The principal activities of Customer A include, among others, construction and engineering, insurance and investment, property and hotel, lifestyle food and beverage and information technology.	Private	6	14,936	18.6%
3	Architectural Services Department	Government department	Public	1	6,242	7.8%
4	Customer C	A group of companies the holding company of which is listed on the Stock Exchange of Hong Kong. The core businesses of Customer C include, among others, ports and related services, retail, infrastructure, energy, telecommunications and finance and investments.	Private	7	5,806	7.2%
5	Customer D	A property development group the holding company of which is listed on the Stock Exchange of Hong Kong. The principal activities of Customer D include, among others, property ownership and development, investments and treasury, property services businesses, hotels and entertainment.	Private	8	4,151	5.2%
Total:					<u>56,304</u>	<u>70.1%</u>

Note: All of the five largest customers for the year ended 31 August 2016 were repeated customers which had engaged our Group to provide services for more than once.

Our top five customers during the Track Record Period were Independent Third Parties. None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five customers during the Track Record Period.

Key contract terms with our customers

For installation projects, we usually enter into agreements with our customers on a project-by-project basis and are generally non-recurring in nature. For maintenance service agreements, they generally last for one to three years. The following paragraphs set forth the general terms of engagement with customers in respect of installation service and maintenance service.

BUSINESS

Installation project

Key terms	Description
Scope of work and equipment to be purchased	This is generally in the form of a price list with breakdown of the unit price of each equipment to be installed and the service fee for certain scope of work to be performed.
Commencement and completion date	A project is generally completed (excluding maintenance service) when our customer has performed the user's acceptance test and signs off the commission form.
Terms of payment	We may be paid upon completion of our works. In some cases, we may require our customers to settle up to 50% of the total fee upon their acceptance of our tender as prepayment. For certain projects, we may be paid by progress payments on milestone.
Anti-collusion	For projects obtained through tender, we are required not to communicate with any person other than our customer the amount of any tender or otherwise collude with any other person to adjust the amount of any tender.
Compensation	In the event that we are unable to complete our work to the satisfaction of our customers within the specified time period, we may be required to compensate our customers at a pre-agreed rate of damages.
Variation orders	Our customers may amend the specifications and scope of works from that originally contracted. A variation order may increase, omit or vary the original scope of work and alter the original contract sum. The value for the variation order will be agreed between our customer and us.
Retention	Some of our customers may retain approximately 5% to 10% of the contract price until the one-year warranty period expires.
Warranty period	Products provided to our customers are generally covered by a warranty period of one year.
Intellectual property rights	Some of our customers may require us to undertake that products supplied by us do not infringe the intellectual property rights of any third party.

BUSINESS

Maintenance services

Key terms	Description
Scope of work	Description/form of service required and the maintenance fee. Form of service required generally sets out the number of on-site service calls or repair visits and number of on-site preventive maintenance visits included in the service contract.
Duration	Our maintenance services typically last for a period of 12 to 36 months.
Terms of payment	Based on the acknowledgement for completion of work submitted by the technicians, we will issue invoice to customers on a regular basis.
Termination	Some agreements may have a termination clause.

SUPPLIERS

We source hardware such as security cameras, display devices, cables and wires, and electronic and electrical components, as well as systems such as smartcard and access control systems from local and overseas suppliers. Our working relationships with many of these suppliers have lasted from 1 to 11 years.

For each of the two years ended 31 August 2015 and 2016, the total purchases made from our five largest suppliers amounted to approximately HK\$4.2 million and HK\$5.7 million, respectively, which accounted for approximately 36.5% and 35.3%, respectively, of our total cost of material and equipment for the relevant year. The purchases from our largest supplier accounted for approximately 10.2% and 15.1% of our total cost of material and equipment for each of the two years ended 31 August 2015 and 2016, respectively.

BUSINESS

The following two tables set forth the details of our five largest suppliers during the Track Record Period:

Five largest suppliers for the year ended 31 August 2015

Rank	Supplier	Type of goods/services provided by our supplier	Year of business relationship with our Company as at the Latest Practicable Date	Costs of material and equipment (HK\$'000)	Approximate % of our total material and equipment
1	Supplier A	Smartcard and access control system	1	1,170	10.2%
2	Supplier B	Security camera	4	1,013	8.8%
3	Supplier D	Security camera and display device	5	872	7.6%
4	Supplier H	Access control system	11	589	5.1%
5	Supplier C	Software	5	550	4.8%
Total:				<u>4,194</u>	<u>36.5%</u>

Five largest suppliers for the year ended 31 August 2016

Rank	Supplier	Type of goods/services provided by our supplier	Year of business relationship with our Company as at the Latest Practicable Date	Costs of material and equipment (HK\$'000)	Approximate % of our total material and equipment
1	Supplier D	Security camera and display device	5	2,423	15.1%
2	Supplier E	Cable and wire	5	1,121	7.0%
3	Supplier F	Security camera	5	825	5.1%
4	Supplier H	Access control system	11	692	4.3%
5	Supplier G	Stainless steel power box	5	599	3.7%
Total:				<u>5,660</u>	<u>35.2%</u>

Our top five suppliers during the Track Record Period were Independent Third Parties. None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) nor their respective close associates had any interest in any of our top five suppliers during the Track Record Period.

BUSINESS

We normally place orders with our suppliers on a project-by-project basis. We check and inspect the materials and equipment upon delivery to our offices and workshops before delivery to sites for consumption. During the Track Record Period, we did not experience any shortage or delay in supply of hardware and software that significantly affected our business.

Supplier selection

Our Group maintains an internal list of approved suppliers. We select our suppliers based on a number of factors, including their (i) product quality; (ii) timely supply; and (iii) stability. We generally select the most suitable supplier from the approved list depending on requirements of the project and specifications from our customers, subject to the availability and fee quotations of our suppliers.

Key contract terms with our suppliers

We normally place purchase orders with our suppliers. The key contract terms with our suppliers typically include, amongst others, the followings:

Key terms	Description
Specifications and quantities of equipment to be purchased	This is generally in a form of price list showing the unit price and specifications of each equipment.
Delivery	<p>The ordered equipment is usually delivered to our warehouse but in some cases, we may arrange for direct delivery to our customers' designated site for installation.</p> <p>For overseas suppliers, the costs of transportation, including freight charges, international handling fees and insurance costs (where applicable), are generally borne by us. If the equipment is damaged during delivery, liability will generally rest with us and is covered by insurance.</p>
Terms of payment	<p>Our suppliers generally require us to settle 30% to 50% of the total purchase price upon their confirmation of our purchase orders as prepayment.</p> <p>Our suppliers generally issue an invoice to us for the outstanding payment upon delivery of the equipment. The average credit period on purchase of goods is 30 days.</p>

BUSINESS

Key terms	Description
	Certain suppliers require us to pay upon presentation of the invoice or upon delivery of the materials or goods supplied to us.
Product return	<p>Upon the arrival of the equipment, we will examine the same and report to the relevant suppliers if defective goods are found. Our suppliers then arrange for replacement of the equipment to us and bear all the relevant costs.</p> <p>The defective equipment is then delivered back to the relevant suppliers and we generally bear the costs of delivery incurred in the product return.</p>
Warranty period	Our suppliers generally grant us a warranty period of one year for the equipment.

OUTSOURCING

We outsource to subcontractors certain installation work including technical installation (such as conduit laying and cable installation), electrical maintenance and software programming. We outsource such work to our subcontractors because we consider that (i) this minimises our need to employ a large workforce and special skilled labour in certain specialised areas; and (ii) this increases our flexibility and cost effectiveness in carrying out the projects.

We have our internal approved list of subcontractors for each type of project. In order to be included in our internal approved list of subcontractors, a subcontractor needs to demonstrate that it has the relevant licences and qualifications and it has relevant job experience from previous job references. We also will perform annual review on those subcontractors on our list to ensure their capability and that their work is up to standard. In general, we will invite at least two subcontractors to submit tender for each project. Our Executive Directors together with our installation team and sales team will decide which subcontractors to use for each project based on our previous work experience with them. The Directors confirm that we did not have any material disputes with our subcontractors during the Track Record Period. We have not entered into any long term agreement with our subcontractors during the same period. Our working relationship with our major subcontractors range from 1 to 5 years. Our Directors consider that we maintain a good business relationship with our subcontractors.

BUSINESS

For each of the two years ended 31 August 2015 and 2016, subcontracting payment attributable to our five largest subcontractors collectively amounted to approximately HK\$7.7 million and HK\$4.5 million, respectively, which accounted for approximately 83.5% and 66.3%, respectively, of our total subcontracting fee for the relevant year.

The following two tables set forth basic information of our five largest subcontractors during the Track Record Period:

Five largest subcontractors for the year ended 31 August 2015

Rank	Subcontractor	Type of goods/services provided by our subcontractor	Year of business relationship with our Company as at the Latest Practicable Date	Subcontracting fee (HK\$'000)	Approximate % of our total subcontracting fee
1	Subcontractor A	Technical installation	5	3,280	36.3%
2	Subcontractor B	Technical installation	2	1,796	19.9%
3	Subcontractor C	Software programming	4	1,261	14.0%
4	Subcontractor D	Technical installation	3	669	7.4%
5	Subcontractor E	Electrical maintenance	3	530	5.9%
Total:				<u>7,536</u>	<u>83.5%</u>

Five largest subcontractors for the year ended 31 August 2016

Rank	Subcontractor	Type of goods/services provided by our subcontractor	Year of business relationship with our Company as at the Latest Practicable Date	Subcontracting fee (HK\$'000)	Approximate % of our total subcontracting fee
1	Subcontractor F	Security solution	2	1,684	24.8%
2	Subcontractor A	Technical installation	5	856	12.6%
3	Subcontractor G	Technical installation	1	721	10.6%
4	Subcontractor H	Technical installation	4	675	10.0%
5	Subcontractor I	Technical installation	4	562	8.3%
Total:				<u>4,498</u>	<u>66.3%</u>

BUSINESS

Key contract terms with our subcontractors

The key contract terms with our subcontractors typically include, amongst others, the followings:

Key terms	Description
Project scope	Scope of the subcontract works to be outsourced
Commencement and completion date	When the project starts and expected duration
Terms of payment	Subcontractors generally issue an invoice to us for the outstanding payment upon completion of the projects.
Anti-collusion	For projects obtained through tender, we require our subcontractors not to communicate with any person other than us the amount of any tender or otherwise collude with any other person to adjust the amount of any tender.
Compensation	In the event that the subcontractors are unable to complete their work to our satisfaction within the specified time period, they may be required to compensate us at a pre-agreed rate of damages.
Retention	We may retain approximately 5% to 10% of the contract price until the one-year warranty period expires.
Warranty period	Products provided to us are generally covered by a warranty period of one year.
Intellectual property rights	We may require the subcontractors to undertake that products supplied to us do not infringe the intellectual property rights of any third party.

BUSINESS

QUALITY CONTROL

Our Directors consider that one of the factors contributing to our Company's success is our ability to deliver quality services to our customers. Our Directors believe that maintaining a high level of service quality is vital to enhancing the competitiveness of our Company and therefore we have implemented internal policies and procedures to ensure the delivery of quality services.

Quality control in procurement of equipment from suppliers

Our Company maintains an internal list of approved suppliers. We carefully evaluate suppliers taking into account of, amongst other things, quality of their products, timely supply and stability. Please refer to the paragraph headed "Business – Suppliers" in this prospectus for further details. We generally select the most suitable supplier from the approved list depending on requirements of the projects and specifications from our customers, subject to the availability and fee quotations of our suppliers. We will check and inspect the materials and equipment upon delivery to our offices and workshops. Any equipment that fails to meet our quality standard and requirements will be returned to our suppliers for replacement or refund.

Quality control in end products

To ensure that the quality of our work is in conformity with the customers' specifications, before delivering the end products to our customers, our sales team, installation team together with the customer will carry out user acceptance test which generally comprises a series of performance check to ensure that the final products we provide to our customers are up to the standards as agreed with our customers. Any products that fail to meet the standards will be notified to our installation team for rectification. Our project manager will also control and monitor each step in our operating procedures to ensure the adherence to stringent quality standards.

Our Directors consider that the capability of our Company in quality assurance is evidenced by the fact that our Company had not experienced any significant product return or material quality dispute with our customers during the Track Record Period. We believe that our Company's commitment to high quality and reliability helps strengthen the recognition and trust among our customers, which would in turn result in increased sales of our Company.

KEY QUALIFICATIONS AND LICENCES

A summary of the laws and regulations related to our business and industry is set out in the section headed "Regulatory overview" in this prospectus.

BUSINESS

As at the Latest Practicable Date, EC Infotech had obtained the following qualifications and licences that are material to our business operations in Hong Kong:

Issuing authorities	Qualifications/licence	Issue date	Expiry date
Buildings Department	Registered Minor Works Contractor (Type A – Alternative and Addition Works (Classes II & III) and Type C – Works relating to Signboards (Classes II & III))	5 July 2013	6 June 2019
Security Bureau – Security and Guarding Services Industry Authority	Type III licensed security company – Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device	27 April 2012	26 April 2017
Office of the Communications Authority (previously known as Office of the Telecommunications Authority)	Radio Dealers Licence (Unrestricted)	8 April 2009	renewable annually on 1 May
Office of the Communications Authority (previously known as Office of the Telecommunications Authority)	Satellite Master Antenna Television Licence	9 January 2008	renewable annually on 1 February
Electrical and Mechanical Services Department	Registered Electrical Contractor	8 April 2015	13 April 2018
Construction Industry Council	Registered under Subcontractor Registration Scheme for the following trade Specialties: (i) broadcast reception installation; (ii) burglar alarm and security; (iii) E & M installation for sewage treatment; (iv) security and communication system; and (v) audio and video electronic equipment	3 May 2016	2 May 2018

EC Infotech is included in the approved contractors or suppliers list of the following Government departments and public bodies:

Government department	Approved list	Inclusion/admission date	Expiry date
Drainage Services Department, Sewage Treatment Division 1	Included in the Sewage Treatment Division Contractor List under the category of Minor Electronic Engineering Works for Sewage Treatment	20 March 2011	N/A

BUSINESS

Government department	Approved list	Inclusion/ admission date	Expiry date
Electrical and Mechanical Services Department	Admitted to in-house contractors list under the works category of Electronic System Integration	5 May 2011	N/A
	Departmental contractor list for Biomedical & Electronics Engineering Services – Central Control and Monitoring System	5 December 2012	N/A
Leisure and Cultural Services Department	Inclusion in the list of suppliers (<i>note 1</i>)	31 January 2012	N/A
Government Logistics Department	Inclusion in the list of suppliers (<i>note 2</i>)	23 March 2012	N/A
Development Bureau	Included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under the categories of:		
	Burglar Alarm and Security Installation	4 July 2013	N/A
	Broadcast Reception Installation	8 October 2013	N/A
	Audio Electronics Installation (Probation Status)	28 November 2013	N/A
Hong Kong Housing Society	Video Electronics Installation	9 November 2015	N/A
	Included in the approved contractors list under the category of: Specialist Contractors for Maintenance and Improvement Work of CABD & Security Systems	10 January 2013	N/A

In addition to the above qualifications and licences, we are one of Octopus' authorised contractors for club house company, authorised car park contractors companies and authorised contractors for access control system company.

BUSINESS

Notes:

1. EC Infotech has been included in Leisure and Cultural Services Department's list of suppliers for the following commodities: (i) safes and security equipment; (ii) public address system/telecommunication equipment; (iii) information technology consultancy/management consultancy; (iv) smart card device products; (v) information security services; (vi) IT system development services; (vii) smart card solution services; (viii) content maintenance; (ix) web design; (x) web development; (xi) web hosting; (xii) network/security product and related maintenance; and (xiii) server/storage product and related maintenance.
2. EC Infotech has been included in Government Logistics Department's list of suppliers for the following commodities: (i) television sets; (ii) radio-broadcast receivers (including complete set of hi-fi equipment), incorporating sound recorders or reproducers; (iii) close-circuit television systems; (iv) audio system/equipment, not elsewhere specified (e.g. for radio broadcasting); (v) video system/equipment, not elsewhere specified (e.g. for TV broadcasting/production); (vi) radio transmitters and receivers; (vii) interactive voice response/processing systems; (viii) intercommunication systems; (ix) private automatic branch exchange system; (x) audio/visual presentation equipment.

To ensure that our Company is able to timely obtain and maintain all the necessary registrations/licences for our operations in Hong Kong, our Executive Directors, human resources department and administration department team are responsible for keeping track of the validity periods of the registrations/licences maintained and/or held by our staff and arranging renewal when necessary in a timely manner. Our Company has successfully renewed its aforementioned registrations/licences since its first registration as set out in the table above.

Our Directors confirm that we have obtained all the necessary licences, permits and registration required for our business activities during the Track Record Period. We will apply for other relevant licences, permits and approvals in the future when necessary.

CERTIFICATIONS AND AWARDS

The following table sets forth our major certifications received by us:

Year(s) awarded	Certifications	Awarding body/Award Scheme	Expiry date
2014	ISO14001:2004 environmental management system standard applicable to Supply and Installation of Smart Card and CCTV system	Accredited Certification International Limited	12 March 2017
	ISO9001:2008 quality management system standard applicable to Supply and Installation of Smart Card and CCTV system	Accredited Certification International Limited	12 March 2017

BUSINESS

The following table sets forth our major awards and recognitions received by us:

Year(s) awarded	Award	Awarding body/Award Scheme
2014	“Hong Kong Most Valuable Companies Awards 2014”	Mediazone Publishing
2015	“Most Valuable Services Awards in Hong Kong 2015”	Mediazone Publishing
2016	“Outstanding Social Caring Organisation Award”	Social Caring Organisation
	“Model Subcontractor Award – Silver Award” under 22nd Considerate Contractors Site Award Scheme	Jointly by Development Bureau and Construction Industry Council
	“Most Valuable Companies in Hong Kong 2016”	Mediazone Publishing
	“Hong Kong Famous Brands Award 2016”	Asia Brand Development Association

ENVIRONMENTAL MATTERS

We would perform an environmental study for each project to identify any potential environmental issues, including but not limited to waste management, air emission and noise. Relevant plan will be implemented to mitigate these issues. Please refer to the section headed “Regulatory overview” for further details.

Our Directors confirm that we were not prosecuted for any breach of any applicable environmental laws and regulations during the Track Record Period.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered the domain name *www.ecinfohk.com*. We have taken appropriate steps to protect our intellectual property rights.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim against our Company for infringement of any intellectual property right nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us or third parties.

BUSINESS

EMPLOYEES

Number of employees by function

As at the Latest Practicable Date, our Company had a total of 155 employees. All of our employees are stationed in Hong Kong. Below table presents a breakdown of the number of our employees by function as at the Latest Practicable Date :

	As at the Latest Practicable Date
Executive Directors	2
Administration	18
Customer service team	5
Sales team	2
Technical teams	
• Installation teams	25
• Maintenance teams	98
Accounting and finance	3
Human resources	<u>2</u>
 Total	 <u><u>155</u></u>

Recruiting & retention

Our recruitment policy is based on a number of factors including the level of knowledge and experience we require from our staff. We believe we are able to hire suitable candidates in the market by offering attractive remuneration packages, including competitive salary and promotion prospects, to our employees. Our human resources team are responsible for recruiting our employees from the open market, through placing advertisement on websites and referrals from our existing employees. We enter into standard employment contracts with all our employees which set out terms such as remuneration and confidentiality requirements.

We offer attractive remuneration packages and career development opportunities in an effort to maintain employee loyalty and retention. Salary level of our employees are reviewed and adjusted from time to time based on their performance and the market conditions. We have also implemented a discretionary bonus system for awarding bonus to employees with good performances. In addition, we organise staff relations activities such as annual dinner regularly to maintain a cooperative and caring culture with our employees.

BUSINESS

Remuneration

Our remuneration package for our employees generally includes salary and/or discretionary bonus. Our employees also receive welfare benefits, including medical care and training sponsorship. We participate in the mandatory provident fund scheme prescribed by the Mandatory Provident Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees, and we have made the relevant contributions in accordance with the aforesaid laws and regulations.

Our staff cost, including salaries and other employee's benefits, amounted to approximately HK\$20.9 million and HK\$32.3 million for each of the two years ended 31 August 2015 and 2016, respectively, which accounted for approximately 37.3% and 40.2%, respectively, of our revenue for the relevant year.

Staff training

Work safety trainings are provided to our operational staff. Moreover, training sponsorship will be provided to our employees for acquiring industry qualifications.

Relationship with employees

During the Track Record Period and up to the Latest Practicable Date, there had not been any labour strike within our Company nor have we experienced any significant problems with our employees or disruption to our operations due to labour disputes. We believe that we have maintained a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our employees.

HEALTH AND WORK SAFETY

Our Directors are of the view that safety management is a vital part of our business as some of our projects may involve high-risk activities such as carrying out installation works which exposes our employees to electrical hazards, at heights or in confined space. As such, safety is treated as our first priority during the delivery of our services. We have adopted and implemented occupational health and safety procedures and measures for our business operations and have taken further measures to ensure that our employees are aware of the safety protocols. Summarised below are the key aspects of our safety measures:

- we would ensure our employees possess relevant safety permits/registrations for carrying out high risks activities;
- our staff would inspect the sites regularly to ensure that the relevant safety requirements are met;

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- we have established guidelines for work safety and occupational health safety and emergency safety handbook for circulation to our employees to raise the awareness of occupational health and safety among our employees; and
- regular training sessions for employees on workplace safety would be conducted regularly.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Company had complied with the relevant health and workplace safety regulatory requirements in all material respect and did not experience any incidents or complaints which had materially and adversely affect the financial condition or business operations of our Company.

INSURANCE

For our employees, we maintain employees' compensation insurance in compliance with the Employees' Compensation Ordinance to cover compensation and costs liable by our Company for personal injuries of our employees in the course of employment with us. We also maintain third-party insurance and public liability insurance for our business operations in Hong Kong. Our Directors consider that our insurance coverage is sufficient and in line with normal commercial practice in Hong Kong.

For the two years ended 31 August 2015 and 2016, the total insurance expenses paid by our Company amounted to approximately HK\$429,000 and HK\$482,000, respectively. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claim.

MARKET AND COMPETITION

According to the F&S Report, the value of ELV Integrated Service Industry experienced a positive growth from around HK\$207.4 million in 2010 to around HK\$430.5 million in 2015 at a CAGR of around 15.7%. Key reasons for such growth is driven by the development of Hong Kong property market, continuous increase in construction investments, and increasing usage of automation in buildings, ELV integrated service market of Hong Kong is projected to sustain the rapidly growing stage in the next few years and the value of this market is expected to reach HK\$728.5 million in 2020, representing a CAGR of 11.1%.

In 2015, the total sales revenue in the ELV integrated service market recorded approximately HK\$430.5 million, the competition in Hong Kong ELV market was relatively concentrated with the top five competitors together occupied approximately 72.3% market share of the overall sales revenue. Our Group shared about 14.5% of the industry revenue in 2015. Our Directors believe that there are entry barriers which hinder new players from entering into the industry, such as qualifications of the new comers, long term relationship with customers, reliable suppliers and sufficient experienced hands.

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For further details, please refer to the section headed “Industry overview” in the prospectus. Our Directors believe that our competitive strengths will enable us to maintain our position as one of the active market players in the industry in Hong Kong. For details of our competitive strengths, please refer to the paragraph headed “Business – Competitive strengths” in this prospectus.

SEASONALITY

Our Directors confirm that due to the nature of our business, our operations are not affected by seasonality.

PROPERTIES

As at the Latest Practicable Date, we owned the following property in Hong Kong:

Number	Address	Usage	Approximate saleable area (sq. ft.)
1.	Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No. 62 Hoi Yuen Road, Kowloon, Hong Kong	Workshop, storage and ancillary office and our Company’s registered office	2,665

Please refer to the valuation of our property interests set out in Appendix III to this prospectus for further details.

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As at the Latest Practicable Date, we leased the following properties in Hong Kong from Independent Third Parties:

Number	Address	Usage	Rental type	Approximate saleable area (sq. ft.)	Term
1.	Factory C on 12/F of Block II of Camelpaint Buildings, Block I and Block II, No. 62 Hoi Yuen Road, Kowloon, Hong Kong	Workshop, storage and ancillary office	Basic rent	2,665	3 years commencing on the 1st day of November 2015 and expiring on the 31st day of October 2018 (both days inclusive)
2.	Unit W5(A) on 1st Floor of Block 2, Nos. 460-470 Kwun Tong Road, Kwun Tong Industrial Centre, Kowloon, Hong Kong	Storage	Basic rent	399	1 year commencing on the 1st day of February 2017 and expiring on the 31st day of January 2018 (both days inclusive)

LEGAL PROCEEDINGS AND COMPLIANCE

Claims settled, pending or threatened against our Group

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

BUSINESS

Non-compliance incident of our Group during the Track Record Period and as at the Latest Practicable Date

Below sets out the non-compliance incident with applicable laws and regulations of our Group during the Track Record Period and as at the Latest Practicable Date. Our Directors are of the view that this non-compliance matter, whether individually or collectively, will not have a material operational or financial impact on our Group.

Relevant section(s) of the ordinance	Details of the non-compliance incident	Reasons for the non-compliance	Remedial action taken/to be taken	Legal Consequences
Non-compliance with Section 11(2) of the Security and Guarding Services Ordinance	Authorising one unpermitted individual to do security work for reward between 23 September 2014 and 1 December 2014	The non-compliance was due to oversight of operational staff	Additional staff of human resources department has been employed. A register has been set up with information including names of staff, types of licenses held by staff and expiry dates of the relevant licenses. The register is updated and monitored by officers of the human resources department on a monthly basis	Under Section 31(1) of SGSO, the maximum penalty for breaching Section 11(2) of SGSO is liable on conviction HK\$100,000 and imprisonment for 2 years. EC Infotech was prosecuted on 30 January 2015 and was liable for a fine of HK\$2,000. The fine has been settled on 16 March 2015.

Views of our Directors and the Sponsor

As set out in the paragraphs headed “Health and work safety”, “Environmental matters”, “Internal control and corporate governance” and “Legal proceedings and compliance – Non-compliance incident of our Company during the Track Record Period and as at the Latest Practicable Date” in this section, our Company has laid down and implemented detailed internal control and corporate governance measures to monitor ongoing compliance with the relevant laws and regulations to prevent the occurrence of any non-compliance in the future. Our Directors believe that the corporate governance and internal control measures could effectively ensure a proper internal control system and maintain good corporate governance practices of our Company. In view of the measures in place, our Directors are of the view, and the Sponsor concurs, that these systems are sufficient and effective to ensure ongoing compliance with the relevant laws and regulations by our Company.

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Our Directors consider that the abovementioned non-compliance incident would not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules, having taken into account the fact that (i) we have taken various internal measures to avoid recurrence of non-compliance incident; and (ii) the above non-compliance incident was unintentional and inadvertent and did not involve any fraudulent act on the part of our Directors and the non-compliance incident did not undermine the integrity of our Executive Directors.

Our Directors are of the view, and the Sponsor concurs, that the past non-compliance incident (i) does not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence; (ii) does not affect our Directors' suitability to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules; and (iii) do not affect our Company's suitability for listing under Rule 11.06 of the GEM Listing Rules.

INTERNAL CONTROL AND CORPORATE GOVERNANCE

Internal control measures to prevent recurrence of non-compliance incidents

In order to achieve high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole and to prevent recurrence of non-compliance incidents, we intend to adopt or have adopted the following measures:

- our Directors attended training sessions provided by our legal advisers as to Hong Kong laws on applicable laws and regulations in Hong Kong on 4 October 2016, including the GEM Listing Rules and will continue to do so on a continuing basis;
- independent non-executive Directors are appointed to enhance the diversity of our Board and to provide independent view, monitoring and advice to our Company;
- we will establish an audit committee, which will set up formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations;
- we will oversee our compliance matters and seek timely legal advice from external professional advisers where necessary;
- our Executive Director and compliance officer, Dr. Ng, is responsible for the day-to-day compliance matters of our Group and will report to our Board in relation to the potential non-compliance issue identified on a timely basis and, if necessary, consult external professional for advice to address to the potential issue; and
- we have engaged Kingsway Capital Limited as our compliance adviser to advise us on the compliance matters under the GEM Listing Rules.

BUSINESS

Internal control measures to rectify our internal control weakness on project budgeting and monitoring

Background of the relevant internal control weakness before enhancement

We did not record the time spent by each member of our installation teams and maintenance teams on each installation and maintenance project for recording the direct labour costs on each project.

In order to prepare our tenders for installation projects during the Track Record Period, we estimate our cost of material and equipment and subcontracting cost and then add a mark-up margin on top. The mark-up margin usually comprises two parts: (i) an amount specifically reserved for our internal cost of human resources (which amount is generally equivalent to approximately 20% of the total estimated costs); and (ii) a target profit. We used to set the final mark-up margin after taking into consideration the chance of obtaining the job with the determined tender price and that the tender price would be able to cover all of our estimated costs for the projects as well as generate a profit. As the direct labour costs for installation projects constituted a relatively small percentage of the Group's total costs of sales for installation projects during the Track Record Period (representing approximately 12.9% and 21.9% of the Group's total costs of sales for installation projects), our Directors were of the view that the reference to budgeted and incurred costs of material and equipment and subcontracting costs as well as the comparison of their budgeted and actually incurred amounts was sufficient for us to set a reasonable tender price which would guarantee the profitability of the relevant project. We recorded the actual gross profit margin for our installation service segment of approximately 40.1% and 49.0% during the Track Record Period.

During the Track Record Period, the direct labour costs accounted for approximately 69.2% and 76.0% of the Group's total costs of sales for maintenance projects. In order to prepare our tenders for maintenance projects during the Track Record Period, we estimated the required staff for each project and estimated the labour costs and other material and (equipment costs (if any)), then we added a mark-up margin on top. Although we did not record the time spent by each member of our maintenance teams on each maintenance project, we kept daily record on the work orders performed by each member of our maintenance teams so as to monitor the allocation of our human resources to each maintenance project. Since our maintenance services generally involve routine checks and corrective maintenance works and the time for such checks and works do not vary materially, our Directors considered that the above daily record, though did not provide the actual time spent on each project, served as a means for our Group to review the number of maintenance work orders performed by the relevant number of maintenance personnel, and therefore, enabled us to estimate the labour costs incurred on each maintenance project and monitor the allocation of our human resources and labour costs on our maintenance projects as well as have a general picture on the profitability of the maintenance projects. We recorded the actual gross profit margin for our maintenance service segment of approximately 16.2% and 9.6% during the Track Record Period.

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Moreover, during the Track Record Period, we did not prepare the breakdown of revenue, gross profit and gross profit margin by products types because some customers of our Group required us to provide integrated ELV solutions which comprised more than one type of ELV solutions under a single contract and we were not able to provide such breakdown. However, the Directors considered that the two types of our ELV solutions by their nature do not have different applications as both types of the ELV solutions are generally applied to all types of buildings and facilities. Therefore, the Directors considered that we have alternative measures to ensure we can achieve the expected profitability of our Group as a whole during the Track Record Period.

During the Track Record Period, in order to achieve our expected profitability of our Group as a whole, we put in place the following measures:

- a. our operation manager was designated to check whether the purchase price of materials and equipment and the subcontracting costs for each project were in accordance with the quotations we obtained for tender;
- b. the team leaders of our installation teams and maintenance were responsible to allocate our staff in accordance with the allocation schedule of human resources we planned for the implementation of the projects; and
- c. our chief executive officer monitored the progress of all outstanding projects on a daily basis to avoid any project delay which might lead to cost overruns. He also reviewed the management accounts, accountants payable aging report and accounts receivable aging report of our Group on a monthly basis to monitor the financial performance of our Group as a whole.

The scope of work of Baker Tilly Hong Kong Risk Assurance Limited (“**Baker Tilly**”), an internal control adviser, also included reviewing and assessing our procedures, systems and controls (including accounting and management systems) during the internal control review period. According to the results of the reviews performed by Baker Tilly, it did not note any material deficiency over our internal control mechanism.

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Internal control weakness

The above measures led to weaknesses in the internal control system of our Group because our Group were not able to know the direct labour costs incurred in each project we handled and assess whether our tender price was reasonable, whether the relevant project was profitable and, if profitable, its gross profit margin.

Delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays. If we fail to monitor the project expenses throughout the implementation of the project, we may not be able to minimise the adverse effect of any cost overruns on our profitability.

Please also refer to the subparagraphs headed “We prepare our tender based on estimated cost plus a mark-up margin, and there is no assurance that the actual time and costs incurred by us would match our initial estimate” and “Even we have established internal control system on monitoring our costs, the actual costs incurred by us may be affected by changes in market conditions and we may incur cost overrun” under the paragraph headed “Risk factors – Risks relating to our business” for further discussion on such risks.

Enhanced internal control measures

For the purpose of assessing the profitability of each of the projects we handle and monitoring closely its profitability throughout the installation and maintenance process, as well as facilitating us to set a reasonable tender price, we have implemented the following internal control measures in January 2017:

- we have established a labour cost allocation policy which sets out the standard hourly rate for our maintenance teams and installation teams;
- weekly timesheet is prepared by each staff of the maintenance teams and installation teams and reviewed monthly by the team leader and our management so that we can monitor monthly the direct labour cost of a project;
- cost sheet and material request form which include estimated material, subcontracting and labour costs are prepared by the staff and subsequently approved by the Executive Directors for each maintenance job and installation project respectively; and such forms state clearly the contract sum and gross profit margin for each job and project. We estimate the material and subcontracting costs by obtaining quotations from approved suppliers and subcontractors and we estimate the labour cost by referring to the human resources we previously put to comparable projects in terms of scale, complexities, and length of the project; and

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- if cost overrun is identified in a project, the project manager will provide the reasons as well as suggestion on improvement in writing on the cost sheet or material request form, so that our Group can better control the remaining cost on the relevant project, avoid the occurrence of those incidents leading to the cost overrun in other projects, and set appropriate tender price for new projects.

Effectiveness of the enhanced internal control measures

Baker Tilly (*Note*) has performed a review on the above internal control measures in January 2017 in order to assess the adequacy and effectiveness of the above measures.

Baker Tilly performed the followings for the review and assessment:

- i. Obtained financial and operating manuals of the Group's on the existing procedures, systems and controls established by the management or appropriate personnel;
- ii. Obtained an understanding of the existing procedures, systems and controls established by the Group through enquiry with the management and/or appropriate personnel;
- iii. Carried out walkthrough tests on those critical aspects of the key procedures, systems and controls of the Group to confirm their understanding; and
- iv. Carried out system review and compliance tests on those critical aspects of the key procedures, systems and controls of the Group to verify effectiveness of design and implementation of the control mechanism.

Baker Tilly was of the view that our enhanced internal control policy as mentioned above was adequate and effective in all material aspects.

Note: Baker Tilly Hong Kong Risk Assurance Limited is part of Baker Tilly Hong Kong which is an affiliate of Baker Tilly International. Baker Tilly Hong Kong Risk Assurance Limited mainly engages in providing a broad range of corporate governance and risk advisory, internal audit, and internal controls regulatory compliance services to its clients including listed companies and companies preparing for listing in Hong Kong. The key members of the engagement team from Baker Tilly Hong Kong Risk Assurance Limited are qualified accountants and internal auditors.

Based on the above, our Directors are of the view that adequate corporate governance measures are in place for our business operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and Capitalisation Issue, ECI Asia will directly hold 75% of the total issued share capital of our Company (without taking into account any Shares which may be issued upon the exercise of share options which may be granted under the Share Option Scheme). ECI Asia is an investment holding company incorporated on 26 August 2016 in the BVI. The entire issued share capital of ECI Asia is owned by Dr. Ng.

For the purpose of the GEM Listing Rules, Dr. Ng and ECI Asia are our Controlling Shareholders of our Company.

Save as disclosed above, there is no other person who will, immediately following completion of the Share Offer be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or above.

Competing Interests

Save and except for their respective interest in our Company, none of our Controlling Shareholders nor any of their respective associates had interests in any other companies that compete or are likely to compete, either directly or indirectly, with the business of our group during Track Record Period and as at the Latest Practicable Date.

Undertakings

Our Controlling Shareholders have given certain undertakings in respect of the Shares (including those as required by Rules 13.16A and Rule 13.19 of the GEM Listing Rules) to our Company, the Stock Exchange, the Sponsor, the Joint Bookrunners and the Underwriters. Please refer to the paragraph headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Undertakings by our Controlling Shareholders” in this prospectus for further details.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying its business independent of our Controlling Shareholders and their respective associates following the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management independence

Our Board comprises two Executive Directors, one non-executive Director and three independent non-executive Directors. Save as disclosed in the section headed “Directors and senior management” in this prospectus, there is no other relationship among our Directors.

Our Directors are of the view that our Company is capable of maintaining management independence as:

- our Group’s strategies, management, operations and affairs are formulated, led, managed and/or supervised by our Board and not by any individual Director. All major and important corporate actions of our Company are and will be fully deliberated and determined by our Board collectively and objectively as a collective body;
- pursuant to the terms of the service contracts entered into between our Company and the Executive Directors, every Executive Director is required to devote substantially the whole of his time, attention and abilities during normal business hours and such additional hours as may reasonably be requisite to our Group;
- in the event that there is a potential conflict of interest in or arising out of any transaction to be considered and approved by our Board, the interested Director(s) shall abstain from voting at the relevant meeting of our Board considering and approving such transaction and shall not be counted towards the quorum of such Board meeting unless this is otherwise permitted under the Articles and/or the GEM Listing Rules; and
- our Group has three independent non-executive Directors, who are not associated with our Controlling Shareholders or their respective associates. Resolutions of our Board approving any matters in which any of the Executive Directors has a potential conflict of interest and/or material interest will only be considered and approved by the independent non-executive Directors (as under the provisions of the Articles and the GEM Listing Rules, the Executive Directors will then be prohibited from voting on the resolution(s) and will not be counted towards the quorum of the relevant Board meetings at which the relevant resolution(s) is/are approved). The independence of our Board’s decisions in respect of any matters in which any of our Group’s Executive Directors has a potential conflict of interest and/or material interest is and can be ensured.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Our Group has its own organisational structure made up of divisions including management and administration, finance and accounting, sales, technical teams, customer service and other divisions. Each division has a clear delineation of duties and functions as determined by our Board to promote efficiency, effectiveness and quality in the development of our Group's business. Our Group has independent access to the suppliers or materials necessary for the operation of its business as well as customers which are all Independent Third Parties.

Our Directors consider that the Group's operations do not depend on the Controlling Shareholders because (i) there is no competing business between the Group and any of the Controlling Shareholders; and (ii) the Group will not be relying on any guarantee provided by any of the Controlling Shareholders in respect of bank borrowings nor has the Group given any guarantee for the benefit of any of the Controlling Shareholders after Listing.

On the basis of the matters disclosed in this section, the Directors believe that the Group is capable of carrying on its business independently of the Controlling Shareholders and their respective close associates.

Financial independence

Our Group has established a financial system (including bank accounts) that operates independently. During the Track Record Period, certain banking facilities granted to our Group were secured by personal guarantees provided by Dr. Ng. The corresponding bank with banking facilities granted to our Group has agreed in principle that the personal guarantees will be released and replaced by a corporate guarantee to be issued by our Company. The bank loans which are guaranteed under the SME Financing Guarantee Scheme operated by the HKMC, and the outstanding finance lease liabilities, would be settled before Listing. So upon such settlement, all the corresponding personal guarantees provided by Dr. Ng will be released upon Listing. Please refer to the section headed "Financial information" for further details. As such, upon Listing, our Group will have independent access to third party financing without relying on any guarantee from our Controlling Shareholders, our Directors and their respective associates. All loans and advances due from/to our Controlling Shareholders, our Directors and their respective associates will be fully settled before Listing. Our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on our Controlling Shareholders, Directors and their respective associates in the operation of its business.

The Directors believe that our Group is capable of obtaining financing from the Independent Third Parties, if necessary, without reliance on our Controlling Shareholders after the Listing. Therefore, our Group will be financially independent from our Controlling Shareholders after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, pursuant to which our Controlling Shareholders have undertaken to us (for ourselves and as trustee for each of our subsidiaries from time to time) that with effect from the Listing Date, they would not and would procure that none of their close associates (except for any members of our Group) shall, except through their interests in our Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of our Group in Hong Kong or such other places as our Group may conduct or carry on business from time to time (the “**Restricted Business**”).

Each of our Controlling Shareholders has further undertaken to our Company (for ourselves and as trustee for each of our subsidiaries from time to time) that, with effect from the Listing Date, in the event that any of them and/or any of their close associates (except any members of our Group) is offered or becomes aware of any future business opportunity that may, directly or indirectly, compete with the Restricted Business (the “**Competing Business Opportunity**”) directly or indirectly to engage or become interested in a Restricted Business, they:

- shall promptly notify our Company in writing and refer such Competing Business Opportunity to our Company for consideration and provide such information as reasonably required by our Company in order to enable it to come to an informed assessment of such Competing Business Opportunity, and shall, upon request by the Company, assist the Group to obtain such Competing Business Opportunity in terms no less favourable than those offered to any of the Covenantors; and
- shall not, and shall procure their close associates (other than members of our Group) not to, invest or participate in the Competing Business Opportunity unless the Competing Business Opportunity has been rejected by our Company and such decision of the Company shall be approved by the independent non-executive Directors, and in respect of the Competing Business Opportunity, the principal terms on which our Controlling Shareholders or their respective close associates invest or participate are no more favourable than those made available to the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has further undertaken to our Company (for ourselves and as trustee for each of our subsidiaries from time to time) that, with effect from the Listing Date, they shall not and shall procure that none of their close associate (except for any members of our Group) shall directly or indirectly:

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as applicable); or
- at any time employ any person who has been a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- alone or jointly with any other person through or as manager, advisor, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or to reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

The above undertakings do not apply where the Controlling Shareholders and/or their respective close associates have interests in the shares or any securities of a company that engages in the Restricted Business whose shares are listed on a recognised stock exchange provided that (a) the total number of shares held by our Controlling Shareholders and/or their respective close associates in aggregate shall not exceed 5% of the issued shares of that class of the company in question, (b) each of our Controlling Shareholders and their respective close associates are not entitled to appoint a majority of the directors of that company, and (c) at any time there should exist at least another shareholder of that company whose shareholdings in that company is more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate.

Furthermore, our Controlling Shareholders have undertaken that they will use their best endeavours and will procure their close associates (except for members of our Group) to use their best endeavours to procure that their respective employees and any company under their control, whether individually or jointly, directly or indirectly (except for those within our Group), to observe the restrictions and undertakings contained in the Deed of Non-competition.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders represent and warrant that, as of the date of the Deed of Non-competition, none of them, their close associates or any of the persons or companies in their control is currently interested or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise through our Group or is otherwise engaged in any business which is in competition or material competition to those of our Group.

Under the Deed of Non-competition, each of our Controlling Shareholders further undertake to and covenant with our Company (for ourselves and as trustee for our subsidiaries from time to time) that during the period for which the Deed of Non-competition is in force:

- they shall allow, and shall procure that the relevant close associates (excluding members of our Group) to allow the independent non-executive Directors to review, at least on an annual basis, whether each of our Controlling Shareholders are in compliance with the Deed of Non-competition;
- they shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcement to the public; and
- they shall provide our Company with a confirmation annually for inclusion by our Company in the annual report, in respect of their compliance with the terms of the Deed of Non-competition.

The undertakings given by each of our Controlling Shareholders under the Deed of Non-competition shall lapse and our Controlling Shareholders shall be released from the restrictions imposed on them upon the occurrence of the earliest of any of the following events or circumstances:

- the day on which our Shares cease to be listed on the Stock Exchange;
- the day on which our relevant Controlling Shareholders and/or his/its close associates cease to hold, taken together, 30% or more of the issued share capital of our Company or otherwise the relevant Covenantor ceases to be a controlling shareholder of our Company; or
- the day on which our relevant Controlling Shareholder beneficially owns or is interested in the entire issued share capital of our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

To further protect the interests of the minority Shareholders of our Company, our Company will adopt the following corporate governance measures to manage any potential conflicts of interest:

- the independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders; each of our Controlling Shareholders undertakes to provide all information requested by us which is necessary for fulfilment of the Deed of Non-competition, including the annual review by the independent non-executive Directors;
- our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with the Deed of Non-competition in our Company's annual reports; and
- each of our Controlling Shareholders will make an annual declaration in relation to compliance with the Deed of Non-competition in the annual reports of our Company

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of six Directors including two Executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Date of appointment as Director	Date of joining our Group	Position/Title	Roles and responsibilities	Relationship with other Directors or senior management
Dr. Ng Tai Wing (吳泰榮博士)	40	3 October 2016	18 August 2003	Executive Director, chief executive officer and chairman of our Board	Overall business development, strategic direction and management of our Group	Spouse of Ms. Wong Tsz Man
Mr. Law Wing Chong (羅永忠)	51	3 October 2016	2 January 2015	Executive Director	Overall operations of our Group	Nil
Ms. Wong Tsz Man (王芷雯)	40	3 October 2016	3 October 2016	Non-executive Director	Advising our Board on corporate development	Spouse of Dr. Ng
Mr. Hui Chun Ho Eric (許俊浩)	42	17 February 2017	17 February 2017	Independent non-executive Director	Providing independent advice to our Board	Nil
Mr. Sung Wai Tak Herman (宋衛德)	58	17 February 2017	17 February 2017	Independent non-executive Director	Providing independent advice to our Board	Nil
Mr. Fung Tak Chung (馮德聰)	50	17 February 2017	17 February 2017	Independent non-executive Director	Providing independent advice to our Board	Nil

EXECUTIVE DIRECTORS

Dr. Ng Tai Wing (吳泰榮)

Dr. Ng, aged 40, joined our Group in August 2003 and was appointed as an Executive Director, chief executive officer and the chairman of our Board on 3 October 2016. He is also the chairman of the nomination committee. He is responsible for the overall business development, marketing, strategic direction and management of our Group. Before joining the Group, he worked as a programmer in Web Pro Limited, a company engaged in website design, from June 2000 to January 2001 where he was responsible for programming of the company's website. Dr. Ng then joined PacificNet Ltd, a company engaged in providing ecommerce services, as a business development manager from January 2001 to September 2001. Dr. Ng was accredited as honorary doctor of engineering from Lincoln University and Fellowship of Asian College of Knowledge Management in June 2016. Dr. Ng was appointed as a director of Hong Kong Chiu Chow Chamber of Commerce Limited and Social Enterprise Research Institute in September 2016.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Ng obtained a Bachelor of Engineering degree in Computer Engineering in November 1998 and a Master of Science degree in Computer Science in November 2000 from the Hong Kong University of Science and Technology. He further obtained a Master of Arts degree in Global Business Management from the City University of Hong Kong in November 2008. Dr. Ng has over 15 years of experience in the information technology industry.

Dr. Ng has not held any directorship in any public listed company in the past three years. Dr. Ng is the spouse of Ms. Wong Tsz Man.

Dr. Ng was previously a director of the companies shown in the table below which were dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (note):

Name of company	Place of incorporation	Date of dissolution	Reasons for dissolution
Golden Chapel Limited	Hong Kong	4 January 2013	Cessation of business
Excellence Management Limited	Hong Kong	10 June 2011	Cessation of business
Ecsolutions (HK) Limited	Hong Kong	11 February 2011	Cessation of business
Gain Wisdom International Limited	Hong Kong	7 August 2009	Cessation of business
EC Systems Limited	Hong Kong	25 April 2008	Cessation of business
Smart IT Service Limited	Hong Kong	19 November 2004	Cessation of business

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Ng was previously a director of the following companies which were dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance (note):

Name of company	Place of incorporation	Date of dissolution	Reasons for dissolution
Power Cheer Limited	Hong Kong	7 January 2011	Never commenced business operations

Note: Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike a defunct company off from the register of companies.

Mr. Law Wing Chong (羅永忠)

Mr. Law, aged 51, joined our Group in January 2015 and was appointed as an Executive Director on 3 October 2016. Mr. Law is responsible for the overall operations of the Group.

Mr. Law obtained a Diploma in Business Management from Lingnan University in July 2008, a Professional Diploma in Occupational Safety and Health from Hong Kong Baptist University in September 2010 and a Master of Engineering Management degree from University of Technology Sydney in March 2010. He is a member of the Institution of Engineering and Technology and a graduate member of the Institution of Occupational Safety and Health since June 2010 and December 2010, respectively. He is also a member of the Society of Registered Safety Officers since February 2012.

Mr. Law worked in Hong Kong Electric Group from 1985 to 1998 as a technician. He then worked in Kum Shing (K.F.) Construction Company Limited, an electrical, mechanical, civil and building engineering service provider, as a safety supervisor and site representative from 1998 to 2007. From 2007 to 2008, he worked in Mak Hang Kei (HK) Construction Limited, a construction contractor, as a project engineer and safety supervisor. From November 2008 to September 2012, Mr. Law worked in Serco Group (HK) Limited, a company providing consulting and outsourcing services, as a project engineer. He re-joined Mak Hang Kei (HK) Construction Limited, a construction contractor, as a safety officer from September 2012 to April 2014, where he was responsible for safety requirement compliance and performing safety audit. He also worked in Alstom Hong Kong Limited, a systems equipment and service provider in the railway sector, as a safety officer from May 2014 to December 2014 where he was responsible for implementing and monitoring safety management system.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Law has not held any directorship in any public listed company in the past three years.

Mr. Law was previously a director of the company shown in the table below which was dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (note):

Name of company	Place of incorporation	Date of dissolution	Reasons for deregistration
Goodrich (H.K.) Limited	Hong Kong	5 January 2007	Cessation of business

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

NON-EXECUTIVE DIRECTOR

Ms. Wong Tsz Man (王芷雯)

Ms. Wong, aged 40, joined the Group in October 2016 and was appointed as a non-executive Director of our Board on 3 October 2013. Ms. Wong is responsible for advising our Board on corporate development of our Group.

Ms. Wong obtained a Bachelor of Business Administration degree in Finance from the Hong Kong University of Science and Technology in November 1998. In December 2015, she obtained the Project Management Professional certificate from the Project Management Institute.

Ms. Wong is currently the assistant vice president of the Operation and Technology Group of China CITIC Bank International Limited where she is responsible for managing solution delivery projects. She has been working in this company since July 2001.

Ms. Wong has not held any directorship in any public listed company in the past three years. Ms. Wong is the spouse of Dr. Ng.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wong was previously a director of the companies shown in the table below which were dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (note):

Name of company	Place of incorporation	Date of dissolution	Reasons for dissolution
EC Systems Limited	Hong Kong	25 April 2008	Cessation of business
Ecsolutions (HK) Limited	Hong Kong	11 February 2011	Cessation of business

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Chun Ho Eric (許俊浩)

Mr. Hui, aged 42, was appointed as an independent non-executive Director of our Board on 17 February 2017. He is mainly responsible for providing independent advice to our Board. He is also the chairman of the audit committee and a member of the remuneration committee and the nomination committee.

Mr. Hui is currently the financial controller and company secretary of Hong Kong Finance Group Limited, a company listed on the main board of the Stock Exchange (stock code: 1273), which is principally engaged in money lending business since February 2012 and an independent non-executive director, chairman of audit committee and member of the nomination committee of Modern Land (China) Co. Limited, a real estate developer whose shares are listed on the main board of the Stock Exchange (stock code: 1107).

Mr. Hui worked in Raymond Y.K. Tse & Co, an accounting firm, from August 1998 to September 2000 and his last position was audit senior. Mr. Hui worked in Ernst & Young, an international accounting firm, from December 2000 to December 2004 as an assurance and advisory business service manager where he was responsible for providing assurance, tax and business advisory services. He was also the group accounting manager and company secretary of Embry Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1388) which is principally engaged in the manufacture and selling of lingerie products from December 2004 to June 2008. Mr. Hui was the group financial controller of Win Hanverky Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 3322) which is principally engaged in the manufacturing and selling of garment products from June 2008 to June 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hui is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and an associate of The Taxation Institute of Hong Kong since September 2009, December 2006 and July 2010, respectively. Mr. Hui received his Bachelor of Arts in Accountancy degree from The Hong Kong Polytechnic University in November 1998 and was awarded a Master of Business Administration degree from The University of Manchester in June 2013. Mr. Hui has over 15 years of experience in auditing, financial accounting and reporting, company secretarial matters and corporate finance.

Save as disclosed, Mr. Hui has not held any directorship in any public listed company in the past three years.

Mr. Sung Wai Tak Herman (宋衛德)

Mr. Sung, aged 58, was appointed as an independent non-executive Director of our Board on 17 February 2017. He is mainly responsible for providing independent advice to our Board. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee.

Mr. Sung obtained a Bachelor of Arts degree from The Chinese University of Hong Kong in December 1983. He further obtained a Bachelor of Laws degree from the University of London in August 1991 and a Master of Laws degree from the University of Sydney in April 1994. Mr. Sung has been qualified as a solicitor of New South Wales, Australia since September 1994 and a solicitor of Hong Kong since December 1996. He has been appointed as a Chinese Attesting Officer by the Ministry of Justice of China since June 2009.

Mr. Sung is currently consultant of Messrs. Tang, Wong & Chow since October 2009. He was a partner of Messrs. Erwin Young, Chu and Law until October 2009.

Mr. Sung was an independent non-executive director of TLT Lottotainment Group Limited (currently known as Evershine Group Holdings Limited), a company listed on the GEM of the Stock Exchange (stock code: 8022) which was principally engaged in the provision of travel agent and entertainment related services from January 2001 to April 2012. He was an independent non-executive director of Ming Kee Holdings Limited (currently known as Capital Finance Holdings Limited), a company listed on the GEM of the Stock Exchange (stock code: 8239) which was principally engaged in trading from March 2008 to February 2012.

Save as disclosed, Mr. Sung has not held any directorship in any public listed company in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sung was previously a director of the following company which was dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance (note):

Name of company	Place of incorporation	Date of dissolution	Reasons for dissolution
Group Master International Limited	Hong Kong	25 April 2003	Cessation of business

Note: Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike a defunct company off from the register of companies.

Mr. Fung Tak Chung (馮德聰)

Mr. Fung, aged 50, was appointed as an independent non-executive Director of our Board on 17 February 2017. He is mainly responsible for providing independent advice to our Board. He is also a member of the audit committee, the remuneration committee and the nomination committee.

Mr. Fung obtained a Bachelor of Arts degree in Economics from Shue Yan University in October 2010, and a Diploma in Economics from Hong Kong Shue Yan College in January 1992.

Mr. Fung has years of experience in the industry of information technology. In February 2006, Mr. Fung founded Datayard Systems Limited, an information technology service provider that develops web applications and Linux servers and provides web hosting service. He has been a director of Datayard Systems Limited since February 2006 and is responsible for its product development. Since 2011, he has been the chief executive officer of Photon Link Limited, a company providing information technology solutions services. Back from November 1992, he was a customer service specialist of Hutchison AT&T Network Services Limited until December 1993. He was a sales administration supervisor of Telecom Service Department of JOS Telecom of JOS Technology Group from December 1993. In March 1995, he started working for T.M.I Telemedia International Hong Kong Limited as help desk and field engineering supervisor, and ceased working there as the area marketing and sales support executive in October 1996. From April 1997 to May 1998, he worked as a marketing support executive in Hong Kong Supernet Ltd. He worked as the technical service manager in E-Med Limited from May 1999. He then worked as a product manager in Standard Chartered Bank from August 2000 to July 2001. From May 2002 to December 2008, Mr. Fung was a director and information technology and management consultant of Right Medic Development Limited, a company that provided project consultancy services, where he was mainly responsible for property agency work.

DIRECTORS AND SENIOR MANAGEMENT

From 2012 to 2014, he was appointed by the Office of the Government Chief Information Officer of the Government of the Hong Kong Special Administrative Region as a member of Working Group on Cloud Security and Privacy. He has been the vice president of Internet Professional Association since 2014 and an honorary information technology consultant of the Hong Kong Independent Non-Executive Director Association since 2015.

Mr. Fung has not held any directorship in any public listed company in the past three years.

Mr. Fung was previously a director of the following company which was dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance (note):

Name of company	Place of incorporation	Date of dissolution	Reasons for dissolution
Right Medic Development Limited	Hong Kong	24 December 2008	Cessation of business

Note: Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike a defunct company off from the register of companies.

Save as disclosed in this prospectus, each of our Directors has confirmed that (i) he or she has no interests in the Shares within the meaning of Part XV of the SFO, and (ii) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his or her appointment.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

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

Name	Age	Date of joining our Group	Position/Title	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Wong Chi Ho (王志豪)	42	14 December 2015	Operation Manager	Operational matters of our Group	Brother of Ms. Wong Tsz Man and brother-in-law of Dr. Ng
Mr. Ling Kee Ho (凌基浩)	36	26 September 2011	Project Manager	Maintenance projects of our Group	Nil
Ms. Liu Chi Kwan (廖志君)	30	20 September 2010	Administrative Officer	Overall administrative matters of our Group	Nil
Ms. Wai Lai Yin (衛麗妍)	28	18 April 2016	Human Resources Officer	Human resources matters of our Group	Nil
Ms. So Lai Yee (蘇麗儀)	28	4 February 2014	Accountant	Treasury and financial management of our Group	Nil

Mr. Wong Chi Ho (王志豪)

Mr. Wong, aged 42, is the operation manager of our Group. Mr. Wong joined our Group in December 2015 and is primarily responsible for the operational matters of our Group. Mr. Wong is brother of Ms. Wong Tsz Man and brother-in-law of Dr. Ng.

Mr. Wong graduated from The Chinese Church of Christian Evangelism St. Lucas' College in June 1991. Mr. Wong worked in HMV Hong Kong Limited, a music and movie CD's retailer, from July 1995 to January 2014 where his last position was store manager. Mr. Wong was responsible for developing marketing strategies, managing budgets and forecasts, employee training, liaison with suppliers and overseeing store-related business. He has over 17 years of experience in sales and marketing.

Mr. Ling Kee Ho (凌基浩)

Mr. Ling, aged 36, is the Project Manager of our Group. Mr. Ling joined the Group in September 2011 and is primarily responsible for maintenance projects of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ling obtained a higher diploma in Electrical Engineering in July 2009 from the Vocational Training Council. He obtained a Bachelor of Engineering degree in Electrical Engineering from RMIT University in June 2012. He joined Centurion Facility Company Limited (currently known as Certis Centurion Facility Company Limited), a company engaged in security business, from July 2003 to December 2005 as a technician of the security system department. From December 2005 to December 2011, he worked in Pacific Satellite International Limited, a company engaged in security and SMATV System as an assistant engineer. He has over 12 years of experience in providing technical support and maintenance services for SMATV and ELV system.

Ms. Liu Chi Kwan (廖志君)

Ms. Liu, aged 30, is the administrative officer of our Group. Ms. Liu joined our Group in September 2010 and is primarily responsible for the overall administrative matters of the Group.

Ms. Liu obtained a foundation diploma in July 2005 and a higher diploma in SME and eBusiness Management in July 2010 from the Vocational Training Council. She worked as a customer service assistant in Creative Property Services Consultants Limited from September 2005 to June 2006. She then joined Good Excel Consultants Limited as a clerk from June 2006 to July 2008. She was responsible for providing support maintenance and clerical work. From August 2008 to June 2009, she worked in Kwong Tai Builders Limited as a work coordinator. From June 2009 to September 2010, she was the work coordinator in Shui On Building Contractors Limited. Ms. Liu has over 10 years of experience in administrative management.

Ms. Wai Lai Yin (衛麗妍)

Ms. Wai, aged 28, is the human resources officer of our Group. Ms. Wai joined our Group in April 2016 and is primarily responsible for human resources matters of our Group.

Ms. Wai obtained a Bachelor of Business Administration degree from Lingnan University in November 2012. She worked as a staff accountant in Ernst & Young Tax Services Limited, a tax service provider, from November 2012 to March 2013. She was responsible for tax compliance work. She worked as a human resources and administrative assistant in Match Personnel Consultancy from May 2013 to October 2013. She was responsible for recruitment process, managing staff records and providing administrative support. She joined HKR International Limited a company listed on the main board of the Stock Exchange (Stock Code: 480) which is principally engaged in providing recreational, property development, hotel operations and healthcare services from October 2013 to April 2014 as an assistant in human resources department. She was responsible for performing human resources functions. Ms. Wai subsequently joined Discovery Bay Services Management Limited as an assistant in human resources department from May 2014 to April 2016. Ms. Wai has over 3 years of experience in human resources management.

DIRECTORS AND SENIOR MANAGEMENT

Ms. So Lai Yee (蘇麗儀)

Ms. So, aged 28, is the accountant of our Group. Ms. So joined our Group in February 2014 and is primarily responsible for the treasury and financial management of the Group.

Ms. So obtained a Bachelor of Business Administration degree in Accountancy from City University of Hong Kong in July 2011. She completed the CPA Qualification Programme of Hong Kong Institute of Certified Public Accountants in February 2016. Prior to joining our Group, she was an assistant of Intertrust Resources Management Limited, a company engaged in provision of trust and corporate services from August 2011 to November 2013. She was mainly responsible for preparing management accounts and handling payroll and treasury functions. Ms. So has over 5 years of experience in treasury and financial management.

COMPANY SECRETARY

Mr. Lau Chi Yuen (劉智遠)

Mr. Lau, aged 41, was appointed as the company secretary of our Company on 17 February 2017. Mr. Lau obtained a Master of Professional Accounting degree from the Southern Cross University in September 2004. Mr. Lau is a member of the Association of Chartered Certified Accountants since July 2008.

From April 1998 to July 2007, Mr. Lau worked in Swire Properties Limited, a property developer principally engaged in managing commercial, retail, hotel and residential properties in Hong Kong and his last position was accounts supervisor responsible for conducting accounting work. He then worked in Terence Wan & Co., an accounting firm, as a general manager from July 2007 to March 2009. His main job responsibilities include provision of secretarial, accounting and taxation services. Subsequently, Mr. Lau joined SMI Corporation Limited, a company listed on the main board of the Stock Exchange (stock code: 198), principally engaged in theater operation, securities trading, investments in production and distribution of films, in-theater counter sales and online shopping, as a company secretary from August 2009 to May 2014. Mr. Lau is currently the company secretary of TUS International Limited (formally known as Jinheng Automotive Safety Technology Holdings Limited), a company listed on the main board of the Stock Exchange (stock code: 872), which is principally engaged in design, research and development, manufacture and sale of automotive electronic products and automotive safety spare parts, the premium car (including classic car) investment and trading business and property investment business in the PRC, since September 2014.

Save as disclosed, Mr. Lau has not held any directorship in any public listed company in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE OFFICER

Dr. Ng Tai Wing, aged 40, is the compliance officer of our Company. For his biographical details, please refer to the paragraph headed “Directors and senior management – Executive Directors” in this prospectus.

BOARD COMMITTEE

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

Our Company has established the Audit Committee in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to our Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee internal control procedures of our Company.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Hui Chun Ho Eric, Mr. Sung Wai Tak Herman and Mr. Fung Tak Chung. Mr. Hui Chun Ho Eric is the chairman of the Audit Committee.

Remuneration Committee

Our Company has established a Remuneration Committee in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group and ensure that none of our Directors determine their own remuneration.

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Hui Chun Ho Eric, Mr. Sung Wai Tak Herman and Mr. Fung Tak Chung. Mr. Sung Wai Tak Herman is the chairman of the Remuneration Committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Company has established a Nomination Committee with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board annually; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to our Board on relevant matters relating to appointment or re-appointment of Directors and succession planning for our Directors.

The Nomination Committee consists of four members, namely Dr. Ng Tai Wing, Mr. Hui Chun Ho Eric, Mr. Sung Wai Tak Herman and Mr. Fung Tak Chung. Dr. Ng Tai Wing is the chairman of the Nomination Committee.

REMUNERATION POLICY

Our Directors' remuneration is determined with reference to the prevailing market practice, our Company's remuneration policy and their duties, responsibilities and time commitment with our Group. During the two years ended 31 August 2016, the aggregate of the remuneration paid and benefits in kind granted to our Directors by any member of our Company were approximately HK\$1,375,000 and HK\$1,543,000, respectively.

Each of the Executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date subject to termination provisions contained therein. Each of the Executive Directors is entitled to a basic salary. Under the service agreements, the basic annual remunerations payable by our Company to the Executive Directors are set out below:

Executive Directors	<i>HK\$'000</i>
Dr. Ng Tai Wing	1,080
Mr. Law Wing Chong	444

DIRECTORS AND SENIOR MANAGEMENT

The non-executive Director has signed an appointment letter with our Company with an initial term of three years commencing from the Listing Date subject to termination provisions contained therein. Under the appointment letters, the basic annual remuneration payable by our Company to the non-executive Director is as follows:

Non-Executive Director	<i>HK\$'000</i>
Ms. Wong Tsz Man	120

Each of the independent non-executive Directors has signed an appointment letter with our Company with an initial term of three years commencing from the Listing Date subject to termination provisions contained therein. Under the appointment letters, the basic annual remuneration payable by our Company to the independent non-executive Directors are as follows:

Independent Non-Executive Directors	<i>HK\$'000</i>
Mr. Hui Chun Ho Eric	120
Mr. Sung Wai Tak Herman	120
Mr. Fung Tak Chung	120

The Director's fee for each of the independent non-executive Directors during the three-year term is initially fixed, subject to our Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee.

The remuneration of each of the independent non-executive Directors is determined by reference to market terms, seniority, his/her experiences, duties and responsibilities within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Save as disclosed above, no other remuneration have been made or are payable by our Group to our Directors in respect of the Track Record Period. Our Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Company to our Directors will be approximately HK\$2,004,000.

Prior to the Listing, the remuneration policy of our Group to reward its employees and directors is based on their performance, qualifications, competence displayed and market comparables. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company.

DIRECTORS AND SENIOR MANAGEMENT

Upon and after the Listing, the remuneration package of our Executive Directors and the senior management will be linked more to the performance of our Group and the return to its Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Our Company has adopted the code provisions stated in the Corporate Governance Code. Except for the deviation from provision A.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the Corporate Governance Code.

Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Ng is the chairman and chief executive officer of our Company. In view of Dr. Ng is one of the founder of our Group and has been operating and managing our Group since 2003, our Board believes that the vesting of the roles of chairman and chief executive officer in Dr. Ng is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. Accordingly, our Directors consider that the deviation from provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

COMPLIANCE ADVISER

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

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be of a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchase;
- (3) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an enquiry of our Company under Rule 17.11 of the GEM Listing Rules regarding unusual movements in the price or trading volume of the Shares.

DIRECTORS AND SENIOR MANAGEMENT

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

- (1) ensure our Company is properly guided and advised as to compliance with the GEM Listing Rules, the SFO and the Takeovers Code;
- (2) act as one of our principal channels of communication with the Stock Exchange, including accompanying our Company to any meeting with the Stock Exchange, unless otherwise requested by the Stock Exchange;
- (3) in relation to any application by our Company for a waiver from any of the requirement in Chapter 20 of the GEM Listing Rules, advise our Company on our obligations and in particular the requirement to appoint an independent financial adviser (save for those waivers the respective applications of which have been submitted to the Stock Exchange prior to listing and disclosed in this prospectus); and
- (4) assess the understanding of all new appointees to our Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, if any inadequacy is identified, recommend necessary remedial steps to our Directors.

Term

The term of appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, subject to early termination.

Duties of our Company

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

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

Termination

The compliance adviser agreement can be terminated by either party upon giving the other party prior written notice of not less than 30 days.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDER

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

Long position in the Shares

Name of shareholder	Capacity/ Nature of Interest	Number of underlying Shares ^(Note 1)	Approximate Percentage of shareholding immediately following the completion of the Capitalisation and the Share Offer ^(Note 2)
ECI Asia	Beneficial owner	1,200,000,000	75%
Dr. Ng	Interest in controlled corporation	1,200,000,000	75%
Ms. Wong Tsz Man ^(Note 3)	Family	1,200,000,000	75%

Notes:

- (1) The calculation is based on the total number of 1,600,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer.
- (2) As at the Latest Practicable Date, Dr. Ng beneficially owns the entire issued share capital of ECI Asia. Therefore, Dr. Ng is deemed, or taken to be, interested in 1,200,000,000 Shares held by ECI Asia for the purpose of the SFO.
- (3) These shares are registered in the name of ECI Asia which is a controlled corporation of Dr. Ng. Ms. Wong is the spouse of Dr. Ng. Under the SFO, Ms. Wong is deemed to be interested in all the shares held by ECI Asia.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer and Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would be required 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, save for the persons disclosed in the paragraph headed “Substantial Shareholders” under this section, no persons individually and/or collectively will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), be entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of our Company and are therefore regarded as significant shareholders under the GEM Listing Rules.

UNDERTAKINGS

Each of our Controlling Shareholders has jointly and severally given certain undertakings in respect of the Shares held by them to our Company, the Sponsor, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Stock Exchange, details of which are set out in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Undertakings by our Controlling Shareholders” 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.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise to the options which may be granted under the Share Option Scheme):

		Nominal value
		<i>HK\$</i>
<i>Authorised share capital</i>		
3,800,000,000	Shares of HK0.01 each	<u>38,000,000</u>
		Nominal value
		<i>HK\$</i>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>		
	2 Shares in issue as at the date of this prospectus	0.02
1,299,999,998	Shares to be issued pursuant to the Capitalisation Issue	12,999,999.98
<u>300,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>3,000,000</u>
<u>1,600,000,000</u>		<u>16,000,000</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date save for any entitlement to the Capitalisation Issue.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed “D. Other Information – 1. Share Options Scheme” in Appendix V to this prospectus.

CAPITALISATION ISSUE

Pursuant to the resolutions in writing of the then sole Shareholder passed on 17 February 2017, conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 1,299,999,998 Shares credited as fully paid at par to the holders of Shares on the register of members or the principal share register of our Company at the close of business on 17 February 2017 (or as each of them may direct) in proportion as nearly as possible without involving fractions to their respective shareholdings (so that no Shareholder shall be entitled to be allotted or issued any fraction of a Share), each ranking *pari passu* in all respects with the then Shares in issue by way of capitalisation of the sum of approximately HK\$12,999,999.98 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into 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 number 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 number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” below.

SHARE CAPITAL

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under any share option scheme which may be adopted by our Company. This general mandate to issue Shares will remain in effect until whichever is 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 by the Articles, the Companies Law or other applicable laws to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting.

Please refer to the sub-paragraph headed “3. Written resolutions of our then sole Shareholder passed on 17 February 2017” under the paragraph “A. Further information about our Company” in Appendix V to this prospectus for further details.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue following the completion of the Share Offer and the Capitalisation Issue.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares which may be listed on the Stock Exchange or any other stock exchange 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 sub-paragraph headed “6. Repurchases by our Company of its own securities” under the paragraph headed “A. Further information about our Company” in Appendix V to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until whichever is 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 by the Articles, the Companies Law or other applicable laws to be held; or
- (c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

SHARE CAPITAL

For further details of this general mandate, please refer to the sub-paragraph headed “6. Repurchases by our Company of its own securities” under the paragraph headed “A. Further information about our Company” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the Articles, our Company may from time to time, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law. In addition, subject to the Companies Law and confirmation by the Grand Court of the Cayman Islands, our Company may by special resolution reduce its share capital in any way, subject to any conditions prescribed by law. For details, see the paragraphs headed “2. Articles of Association – (a) Shares – (iii) Alteration of capital” and “3. Cayman Islands Company Law – (b) Share Capital” in Appendix IV to this prospectus.

Pursuant to the Articles, and subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For details, see the paragraph headed “2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the Accountants' Report included as Appendix I and our selected historical combined financial information and operating data included elsewhere in this prospectus. Our combined financial information has been prepared in accordance with HKFRSs. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and our 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 which we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk factors" and "Forward-looking statements" for discussions of those risks and uncertainties.

Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We have been providing ELV solutions in Hong Kong since 2003. Our Company has accumulated vast experience through the projects undertaken over the years.

During the Track Record Period, our clientele comprises customers from both the private and public sectors. Our customers in the private sector are mainly property developers and property management companies in Hong Kong. Our customers in the public sector are mainly Government departments such as Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 3 October 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No.62 Hoi Yuen Road, Kowloon. The Company is principally engaged in investment holding. The principal activity of its major operating subsidiary is the provision of installation and maintenance services. The ultimate holding company of the Company is ECI Asia, a company incorporated in the BVI. The ultimate controlling shareholder of the Group is Dr. Ng Tai Wing (“Dr. Ng”).

Pursuant to the Reorganisation, the Company became the holding company of the Group on 3 October 2016. The Group has been under the control of Dr. Ng throughout the Track Record Period or since their respective dates of incorporation up to 31 August 2016.

As the Reorganisation only involved inserting new holding company and has not resulted in any change of economic substances, the Financial Information for the Track Record Periods has been presented as a continuation of the existing company using the pooling of interests method as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period including the results and cash flows of the companies now comprising the Group including the Company, ECI International and EC Infotech have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation up to 31 August 2016, whichever is a shorter period. The combined statements of financial position of the Group as at 31 August 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries.

FINANCIAL INFORMATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on our management's best knowledge and judgment of current facts and circumstances, actual results may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 4 to the Accountants' Report.

Further details on the basis of presentation are set out in the note 1 to the Accountants' Report.

KEY FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

Our income from installation and maintenance services is generally project based and non-recurring in nature and any decrease in the number of projects and/or any decrease in the demand of maintenance services would affect our operations and financial results

Our income is primarily generated from the provision of ELV solutions, which can be generally divided into new project installation and maintenance services. Apart from variation orders or supplemental orders placed by our customer during the course of a project, our engagements with our customers are on a project basis and are generally non-recurring in nature. In general, the duration of work for our installation projects may vary from 1 month to 30 months. A customer that accounts for a significant portion of our income for a particular period may not generate any income to us in subsequent periods. In addition, we do not enter into any long-term agreements with our customers except for some maintenance service agreements with our customers which generally last for one to three years. After completion of our services, our customers are not obliged to engage us again in the future for maintenance and enhancement services or for new projects of such customer.

As such, our income derived above is not recurring in nature. There is no guarantee that we will win the awards of project contracts in the future, and there is no assurance that our existing customers will invite us to tender when they have new projects. Our operations and financial results would be adversely affected if we are unable to win new projects or secure new projects from existing customers, which may lead to a decrease in the number of projects.

FINANCIAL INFORMATION

We determine our contract fee based on estimated time and costs, yet the actual time and costs incurred may be more than our estimates due to unexpected circumstances, thereby adversely affecting our operations and financial results

We determine our total contract fee based on our cost estimates on top of certain mark-up fees. For details of the factors we consider when we make our cost estimates, please refer to the paragraph headed “Business – Sales and marketing – Pricing policy” in this prospectus. The actual time and costs incurred by us, however, may be affected by various factors, including: (i) variations to the requirements or design requested by our customers; (ii) delays by our suppliers in delivering the systems/equipment; (iii) delays or defects in the installation work provided by our subcontractors; (iv) departure of our key personnel; (v) disputes with our customers or suppliers; (vi) disputes among other parties involved in the projects; (vii) changes in market conditions; and (viii) other unforeseen problems and circumstances. Any of these factors may lead to delays in completion or cost overruns by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays.

If a significant mark-up is made upon our estimated costs, then our contract fee may be less competitive. There can be no assurance that our tenders will always be priced competitively. If we fail to price our tenders competitively, our customers may not engage our services for the potential project or order, resulting in a decrease in the number of projects or orders. In such event, our operations and financial results would be adversely affected.

On the contrary, if the fee set by us is too low, then our profitability may be materially and adversely affected when the actual time spent and costs exceed our estimation during the actual implementation of the project or order.

We may be exposed to payment delays and/or defaults by our customers which would adversely affect our cash flow or financial results

Our Group does not have a standardised and universal credit period granted to our customers. In addition, in some installation projects, the work we handled only formed part of the customer’s entire system, and the customer also engaged other contractors to handle the other parts of the system. In such case, only until every contractor finished their respective work, the customer would not be able to test the functioning of the entire system. As confirmed by our Directors, it is the industry practice that the customer would only pay the contractors when the testing of the entire system is satisfactorily performed and completed.

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As at 31 August 2015 and 31 August 2016, invoices aged over 90 days amounted to approximately HK\$2.9 million and HK\$3.4 million, respectively, while our average trade receivables turnover were 66 and 71 days, respectively.

There can be no assurance that our customers will settle our invoices on time or in full. Any of such payment delays and/or defaults by our customers may adversely affect our operating cash flow, financial position and operating results.

CRITICAL ACCOUNTING POLICIES & ESTIMATES

The financial statements of our Group were prepared in accordance with all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, which require our Group to adopt accounting policies and make estimates and assumptions that the management believes to be appropriate in the circumstances for purpose of giving a true and fair view of the results and financial condition of our Group. However, different policies, estimates and assumptions in critical areas could lead to materially different results. Our Directors have continually assessed these estimates based on their experience and knowledge of current business, the expectations based on available information and other reasonable assumptions, which together form our basis for making judgments about matters that are not apparent from other sources. Since the use of estimates is an integral component of financial reporting progress, the actual result could differ from those estimates. Our Directors believe the following accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business and net of discounts. Maintenance service income is recognised over the maintenance period by using the straight line method. The Group's policy for recognition of revenue from installation services is described in the accounting policy headed "Construction contracts" below.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured 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.

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

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

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

The Group measures the stage of completion of its installation projects for revenue recognition purposes by taking into account the costs of material and equipment and subcontracting costs and not the direct labour costs. The Directors consider that the reference to the costs of material and equipment and subcontracting costs incurred can measure the stage of completion of the installation of our Group because:

- (a) costs of material and equipment and subcontracting costs are the major components of the cost of sales for installation projects. Such costs accounted for approximately 84.7% and 72.4% of the Group's total costs for installation projects in the financial years ended 31 December 2015 and 2016, respectively;
- (b) on the other hand, although direct labour costs accounted for 43.5% to 50.5% of the Group's total costs of sales for the financial years ended 31 December 2015 and 2016, respectively, the direct labour costs for installation projects, only accounted for approximately 12.9% and 21.9% of the Group's total costs of sales for installation projects for the two financial years, respectively. As such, The Group did not record the time spent by each member of the installation team on each installation project for recording the direct labour costs on each project. The direct labour costs for installation projects are less than for maintenance projects because installation projects are not as labour intensive as maintenance projects, which require sufficient labour to perform routine checks and corrective maintenance services;
- (c) the Group normally places orders with the suppliers on a project-by-project basis for consumption in the projects and does not keep inventory. The materials and equipment are consumed for the projects within a short period of time after delivery; and

FINANCIAL INFORMATION

- (d) subcontracting cost represents the fees paid and payable to subcontractors engaged by the Group for systems installation or maintenance services. For subcontracting costs which are payable, the Group recognises such payables when receiving the subcontractors' invoices which are used to be issued by them shortly after the works are done by them in accordance with the relevant contracts.

Property, plant and equipment

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

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

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

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

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted.

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Impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

COMBINED RESULTS OF OPERATION

The table below sets out the combined statements of profit or loss and other comprehensive income of our Group for the Track Record Period extracted from the Accountants' Report set out in Appendix I to this prospectus:

	For the year ended	
	31 August	
	2015	2016
	HK\$'000	HK\$'000
Revenue	56,066	80,338
Cost of sales	<u>(39,741)</u>	<u>(53,265)</u>
Gross profit	16,325	27,073
Other income	161	81
Administrative expenses	<u>(6,897)</u>	<u>(13,848)</u>
Profit from operations	9,589	13,306
Finance costs	<u>(502)</u>	<u>(426)</u>
Profit before taxation	9,087	12,880
Income tax expenses	<u>(1,522)</u>	<u>(2,637)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	<u>7,565</u>	<u>10,243</u>

FINANCIAL INFORMATION

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

Revenue

Our Group's revenue is derived from the installation of various systems and provision of maintenance service during the Track Record Period.

During the Track Record Period, our Group's revenue increased from HK\$56.1 million for the year ended 31 August 2015 to HK\$80.3 million for the year ended 31 August 2016, representing revenue growth of 43.3%. The increase in revenue contribution from installation and maintenance services amounted to approximately HK\$18.9 million and HK\$5.4 million respectively.

The following table sets forth a breakdown of our revenue by our two service types during the Track Record Period:

Service type	Year ended 31 August			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Installation	30,262	54.0	49,146	61.2
Maintenance	<u>25,804</u>	<u>46.0</u>	<u>31,192</u>	<u>38.8</u>
Total	<u><u>56,066</u></u>	<u><u>100.0</u></u>	<u><u>80,338</u></u>	<u><u>100.0</u></u>

Installation

The projects we install for our customers mainly consist of various central control monitoring systems including security, car park, clubhouse management, telecommunications and broadcasting systems. For each of the two years ended 31 August 2016, the revenue derived from this service type amounted to HK\$30.3 million and HK\$ 49.1 million, and represented approximately 54.0% and 61.2 % of our total revenue respectively.

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Maintenance

The maintenance services provided by our Group refer to routine checkup and assistance provided to our customers to keep their systems in good condition by identifying and resolving technical issues. For each of the two years ended 31 August 2016, the revenue derived from this service type amounted to HK\$25.8 million and HK\$31.2 million, and represented approximately 46.0% and 38.8% of our total revenue respectively.

All of our installations and maintenance works during Track Record Period were located in Hong Kong. Our customers can be divided into two types: (i) public sector and (ii) private sector. The following table sets forth a breakdown of our revenue by public and private sectors during the Track Record Period:

	Year ended 31 August			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector	14,512	25.9	32,264	40.2
Private sector	<u>41,554</u>	<u>74.1</u>	<u>48,074</u>	<u>59.8</u>
Total	<u><u>56,066</u></u>	<u><u>100.0</u></u>	<u><u>80,338</u></u>	<u><u>100.0</u></u>

The following table sets forth a breakdown of our number of projects by customer types during the Track Record Period:

Customer type	Year ended 31 August	
	2015	2016
Public sector	509	1,308
Private sector	<u>2,129</u>	<u>2,332</u>
	<u><u>2,638</u></u>	<u><u>3,640</u></u>

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During the Track Record Period, our customers in the private sector are mainly property developers and property management companies in Hong Kong. Our customers in the public sector are mainly Government departments such as Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department.

The revenue derived from the public sector for the two years ended 31 August 2016 were HK\$14.5 million and HK\$32.3 million, representing approximately 25.9% and 40.2 % of our total revenue respectively. The increase in revenue was mainly due to increase in revenue derived from Electrical and Mechanical Services Department amounting to approximately HK\$16.5 million, which increased from approximately HK\$8.7 million for the year ended 31 August 2015 to approximately HK\$25.2 million for the year ended 31 August 2016.

For the two years ended 31 August 2016, the revenue contributed by private sector were HK\$41.6 million and HK\$48.1 million, representing 74.1% and 59.8 % of our total revenue, respectively. The increase in revenue was mainly attributable to the increase in revenue derived from Project P21 of Customer A during the year ended 31 August 2016 as compared to the year ended 31 August 2015, which increase amounted to approximately HK\$3.0 million, as a result of such revenue increasing from approximately HK\$10.5 million for the year 31 August 2015 to approximately HK\$13.5 million for the year ended 31 August 2016.

Cost of Sales

Set forth below are the details of our cost of sales during the Track Record Period:

	Year ended 31 August			
	2015		2016	
	<i>HKD'000</i>	%	<i>HKD'000</i>	%
Material and equipment	11,499	28.9	16,025	30.1
Direct labour	17,305	43.5	26,903	50.5
Subcontracting cost	9,030	22.8	6,784	12.7
Others	<u>1,907</u>	<u>4.8</u>	<u>3,553</u>	<u>6.7</u>
Total	<u><u>39,741</u></u>	<u><u>100.0</u></u>	<u><u>53,265</u></u>	<u><u>100.0</u></u>

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Material and equipment

Cost of material and equipment represents the amounts paid and payable to suppliers of equipment, parts and systems used for installation and maintenance services provided for our customers. For each of the two years ended 31 August 2016, the cost of material and equipment amounted to HK\$11.5 million and HK\$16.0 million, representing 28.9% and 30.1% of the total cost of sales respectively.

Direct labour

Direct labour cost represents compensation and benefits provided to employees who are directly involved in the provision of our Group's services. The direct labour cost was HK\$17.3 million and HK\$26.9 million for each of the two years ended 31 August 2016, which accounted for approximately 43.5% and 50.5% of the total costs respectively. The increase in direct labour cost of approximately HK\$9.6 million during the year ended 31 August 2016 as compared to the immediately preceding year was mainly due to the Group hiring more technicians to support the growth of the Group's business, which was in line with the increase in the number of installation and maintenance contracts entered into by us from 2,180 during the year ended 31 August 2015 to 3,149 during the year ended 31 August 2016. Our total number of staffs in installation and maintenance teams has also increased from 109 as at 31 August 2015 to 123 as at 31 August 2016.

Subcontracting cost

Subcontracting cost represents the fees paid and payable to subcontractors we engaged for system installation or maintenance services. The subcontracting costs were HK\$9.0 million and HK\$6.8 million for each of the two years ended 31 August 2016, representing 22.8% and 12.7 % respectively. The decrease of HK\$2.2 million for the year ended 31 August 2016 as compared to the year ended 31 August 2015 was mainly due to the Group hiring more technicians to support the growth of the Group's business and hence reducing the needs for subcontracting services during the year ended 31 August 2016.

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Sensitivity analysis

The following sensitivity analysis table illustrates the impacts of the hypothetical changes of the profit before tax in relation to the percentage changes to i) cost of material and equipment; ii) direct labour cost; and iii) subcontracting costs assuming all other factors remain unchanged, based on the historical fluctuations of the total cost of sales during the Track Record Period.

	Impact on profit before tax	
	For the year ended 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of material and equipment increase/decrease by:		
+40%	(4,600)	(6,410)
+35%	(4,025)	(5,609)
+30%	(3,450)	(4,807)
-30%	3,450	4,807
-35%	4,025	5,609
-40%	4,600	6,410
Direct labour cost increase/decrease by:		
+40%	(6,922)	(10,761)
+35%	(6,057)	(9,416)
+30%	(5,192)	(8,071)
-30%	5,192	8,071
-35%	6,057	9,416
-40%	6,922	10,761
Subcontracting cost increase/decrease by:		
+40%	(3,612)	(2,714)
+35%	(3,160)	(2,375)
+30%	(2,709)	(2,035)
-30%	2,709	2,035
-35%	3,160	2,375
-40%	3,612	2,714

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Gross profit and gross profit margin

Gross profit is calculated based on our revenue for the year minus cost of sales for the year. Gross profit margin is calculated based on the gross profit for the year divided by our revenue for the year and multiplied by 100%. Our gross profit for each of the two years ended 31 August 2016 amounted to HK\$16.3 million and HK\$27.1 million, representing gross profit margin of 29.1% and 33.7% respectively.

The following table sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by service types:

	Year ended 31 August			
	2015		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>
Installation	12,150	40.1	24,072	49.0
Maintenance	<u>4,175</u>	<u>16.2</u>	<u>3,001</u>	<u>9.6</u>
Total	<u><u>16,325</u></u>	<u><u>29.1</u></u>	<u><u>27,073</u></u>	<u><u>33.7</u></u>

The gross profit margin of our installation service segment during the Track Record Period is higher as compared to that of the maintenance segment primarily because (i) we tend to offer our maintenance services with lower gross profit margin in order to attract more projects and further establish our reputation in the industry; and (ii) we are the subcontractor of several maintenance works and the gross profit margin of subcontracting works tends to be lower. Hence, the gross profit margin for the year ended 31 August 2016 increased by approximately 4.6%, mainly due to the increase in the revenue contribution from installation services from approximately HK\$30.3 million for the year ended 31 August 2015 to approximately HK\$49.1 million for the year ended 31 August 2016.

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For installation services, our gross profits were approximately HK\$12.2 million and HK\$24.1 million for each of the two years ended 31 August 2016 respectively. In determining our gross profit margin for each installation, we will primarily consider the following factors including i) scope of our services; ii) complexity of the design and installation works; iii) duration of the project; iv) costs of equipment to be installed; v) the level of human resources to be involved; and vi) training and on-site presentation needed. Our gross profit margins were approximately 40.1% and 49.0% for each of the two years ended 31 August 2016 respectively. The gross profit margin for installation services for the year ended 31 August 2016 increased primarily because the Group hired more technicians to form a more robust team to support the growth of the Group's business after taking into account that our Group can provide training to improve the efficiency of our own work force and can have a greater flexibility to allocate our technicians to deal with more projects so as to enhance the cost effectiveness of our own work force. As a result, the subcontracting costs for installation projects decreased from approximately 58.0% of the total cost of sale for installation projects for the year ended 31 August 2015 to approximately 23.7% for the year ended 31 August 2016 while the direct labour costs increased from approximately 12.9% of the total cost of sale for installation projects for the year ended 31 August 2015 to approximately 21.9% for the year ended 31 August 2016.

In addition, although the increase of HK\$9.6 million in our direct labour cost caused by our additional work force was much higher than the decrease of HK\$2.2 million in our subcontracting cost, our additional work force did not only minimise our reliance on subcontractors but also supported our growth of business, which led to an increase in our revenue. When the direct labour cost and the subcontracting cost are considered together, the aggregate cost of these two items increased approximately 27.9% for the year ended 31 August 2016 while the revenue increased approximately 43.3% for such year. Accordingly, our overall gross profit margin increased from 29.1% to 33.7% during the Track Record Period.

FINANCIAL INFORMATION

For maintenance services, our gross profits were approximately HK\$4.2 million and HK\$3.0 million for each of the two years ended 31 August 2016 respectively. In determining our gross profit margin for maintenance works, we will generally consider the factors including i) scope of maintenance services; ii) duration of the maintenance services; iii) the level of human resources to be involved and iv) costs of materials to be replaced or fixed. The gross profit margins were 16.2% and 9.6% for each of the two years ended 31 August 2016 respectively. The gross profit margin for the year ended 31 August 2015 was higher as compared to the year ended 31 August 2016 primarily because of the project (project code P21) with Customer A, which had a lower profit margin and commenced in December 2014 during the year ended 31 August 2015. The lower gross profit margin was due to the combined effect of (i) the 28.3% increase in maintenance income from approximately HK\$10.5 million for the year ended 31 August 2015 to approximately HK\$13.5 million for the year ended 31 August 2016 and (ii) the increase in direct labour cost for the year ended 31 August 2016 as compared to the year ended 31 August 2015 due to the Group hiring additional technicians to support the project, which increased from approximately HK\$8.0 million to HK\$12.3 million, representing a 53.5% growth. Hence, the gross profit margin dropped from 16.2% for the year ended 31 August 2015 to 9.6% for the year ended 31 August 2016.

Other income

The following table sets forth the breakdown of our Group's other income during the Track Record Period:

	Year ended 31 August			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Sundry income	36	22.4	42	51.9
Gain on sale of listed equity investments	25	15.5	–	–
Gain on disposal of property, plant and equipment	<u>100</u>	<u>62.1</u>	<u>39</u>	<u>48.1</u>
Total	<u><u>161</u></u>	<u><u>100.0</u></u>	<u><u>81</u></u>	<u><u>100.0</u></u>

Other income, which includes sundry income, gain on disposal of shares and gain on disposal of property, plant and equipment, amounted to HK\$0.1 million and HK\$39,000 for each of the two years ended 31 August 2016 respectively. The gain on disposal rose from the disposal of motor vehicles of our Group for during the Track Record Period.

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Administrative expenses

The following table sets out the breakdown of our Group's administrative expenses by nature during the Track Record Period:

	Year ended 31 August			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Staff costs, including Directors' emoluments	3,617	52.4	5,391	38.9
Depreciation	465	6.7	780	5.6
Legal and professional fees	247	3.6	3,013	21.8
Travelling and entertainment	735	10.7	848	6.1
Others	<u>1,833</u>	<u>26.6</u>	<u>3,816</u>	<u>27.6</u>
Total	<u><u>6,897</u></u>	<u><u>100.0</u></u>	<u><u>13,848</u></u>	<u><u>100.0</u></u>

The administrative expenses include staff cost, Directors' emoluments, depreciation, legal and professional fees, travel and entertainment expenses and other administrative expenses. The administrative expenses increased by HK\$6.9 million from HK\$6.9 million for the year ended 31 August 2015 to HK\$13.8 million for the year ended 31 August 2016.

The largest components of the administrative expenses were staff costs and Directors' emoluments for each of the two years ended 31 August 2016. The expenses increased from HK\$3.6 million for the year ended 31 August 2015 to HK\$5.4 million for the year ended 31 August 2016, representing a 49.0% growth. Such amount of increase was mainly attributable to the hiring of additional administrative staff to support the growth of the Group's business and increased installation projects and maintenance works.

The depreciation expenses were mainly attributable to leasehold land and buildings and motor vehicles, which were depreciated on a straight-line basis. The depreciation expenses for each of the two years ended 31 August 2016 were amounted to HK\$0.5 million and HK\$0.8 million respectively. The increase in depreciation expenses was due to the Group's purchase of motor vehicles during the year ended 31 August 2016 to facilitate our technicians to perform installation and maintenance works in Hong Kong.

Legal and professional fees increased significantly from HK\$0.2 million for the year ended 31 August 2015 to HK\$3.0 million for the year ended 31 August 2016. Such amount of increase was primarily attributable to the expenses related to the Listing.

FINANCIAL INFORMATION

Travelling and entertainment expenses remained stable for each of the two years ended 31 August 2016, and amounted to approximately HK\$0.7 million and HK\$0.8 million respectively. The slight increase was mainly due to the growth of the Group's business.

The remaining administrative expenses mainly represented rental expenses, miscellaneous office expenses, training expenses and insurance costs. The increase of HK\$2.0 million from HK\$1.8 million for the year ended 31 August 2015 to HK\$3.8 million for the year ended 31 August 2016 was mainly attributable to the growth of the Group's business.

Finance costs

The following table sets forth the breakdown of our Group's finance costs during the Track Record Period:

	Year ended 31 August			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Interest on:				
Bank borrowings wholly				
repayable within five years	476	94.8	389	91.3
Obligations under finance leases	<u>26</u>	<u>5.2</u>	<u>37</u>	<u>8.7</u>
Total	<u><u>502</u></u>	<u><u>100.0</u></u>	<u><u>426</u></u>	<u><u>100.0</u></u>

Our finance costs mainly represented interest expenses for bank loans and interest expenses on obligations under finance lease of motor vehicles. Finance costs decreased by approximately 15.1% from approximately HK\$0.5 million for the year ended 31 August 2015 to approximately HK\$0.4 million for the year ended 31 August 2016.

Income tax expenses

Our Group's revenue during the Track Record Period was derived in Hong Kong, and our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for each of the two years ended 31 August 2016 were 16.8% and 20.5% respectively.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Overview

During Track Record Period, our primary uses of cash are for funding the operations of our projects, maintenance works, capital expenditure and other general working capital use. We have financed our operations mainly by cash flow generated from our operations and external financing. We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for our working capital and operations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in settling our obligations in the normal course of business which would have had a material impact to our business, financial condition or results of operations.

After completion of the Share Offer, we expect our sources of funds will be a combination of operating cash flows, external financing and net proceeds from the Share Offer.

Cash flows

The following table summarises selected cash flows data from our combined statement of cash flows for the Track Record Period:

	For the year ended	
	31 August	
	2015	2016
	HK\$'000	HK\$'000
Cash and cash equivalents at the beginning of the year	13,232	8,693
Net cash from operating activities	2,418	1,445
Net cash used in investing activities	(3,550)	(8,280)
Net cash (used in)/from financing activities	(3,407)	3,895
Cash and cash equivalent at the end of the year	8,693	5,753

Operating activities

For the year ended 31 August 2015, our net cash generated from operating activities was approximately HK\$2.4 million, primarily as a result of the combined effects of (i) approximately HK\$9.9 million operating cash flows before movements in working capital; (ii) the increase in trade receivables of approximately HK\$5.2 million; (iii) the increase in deposits, prepayments and other receivables of approximately HK\$0.6 million; and (iv) the increase in amounts due from customers for contract works of approximately of HK\$3.4 million. This was partially offset by (i) the increase in amounts due to customers for contract work of approximately HK\$0.4 million; (ii) the increase in trade payables of approximately HK\$1.9 million; and (iii) the income tax paid of approximately HK\$0.5 million.

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For the year ended 31 August 2016, our net cash generated from operating activities was approximately HK\$1.4 million, mainly attributable to the combined effects of (i) approximately HK\$14.0 million operating cash flows before movements in working capital; (ii) the increase in trade receivables amounted to HK\$5.7 million; (iii) the increase in deposits, prepayments and other receivables of approximately HK\$0.7 million; (iv) the increase in amounts due from customers for contract works of approximately of HK\$2.8 million; (v) the reduction in amounts due to customers for contract work of HK\$0.1 million; and (vi) the decrease in trade payables of approximately HK\$2.4 million. This was partially offset by the income tax paid of approximately HK\$0.9 million.

Investing activities

For the year ended 31 August 2015, our net cash used in investing activities was approximately HK\$3.6 million. The net cash used was mainly attributable to cash outflow for (i) the advance to a director of approximately HK\$3.4 million; and (ii) the acquisition of property, plant and equipment of approximately HK\$0.3 million.

Our net cash used in investing activities was approximately HK\$8.3 million for the year ended 31 August 2016. The net cash used was mainly due to cash outflow for (i) the acquisition of property, plant and equipment of HK\$1.2 million; (ii) advance to a director of approximately HK\$7.3 million, which was partially net off by the proceeds received from disposal of property, plant and equipment of HK\$0.3 million.

Financing activities

For the year ended 31 August 2015, our net cash used in financing activities was approximately HK\$3.4 million, which was mainly attributable to (i) the repayment of bank borrowings of approximately HK\$2.7 million; (ii) the repayment of finance lease of approximately HK\$0.2 million; and (iii) the interest payment of approximately HK\$0.5 million.

For the year ended 31 August 2016, our net cash generated from financing activities was approximately HK\$3.9 million, mainly due to new bank borrowings raised of HK\$11 million and partially offset by (i) repayment of bank borrowings of approximately HK\$6.3 million; (ii) repayment of finance lease of approximately HK\$0.4 million; and (iii) the interest payment of approximately HK\$0.4 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at 31 August 2015 and 2016:

	As at 31 August		As at 31 December
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)
Current assets			
Trade receivables	12,787	18,484	20,886
Amounts due from customers for contract work	4,230	7,041	6,731
Amounts due from related companies	3	34	37
Amount due from a director	6,569	1,612	1,511
Deposits, prepayments and other receivables	646	1,382	1,598
Bank balances and cash	8,693	5,753	2,420
	32,928	34,306	33,183
Current liabilities			
Trade payables	5,797	3,427	4,129
Amounts due to customers for contract work	397	310	–
Accruals and other payables	387	373	355
Bank borrowings	12,740	17,462	16,708
Obligations under finance leases	258	525	467
Tax payable	1,747	3,436	1,151
	21,326	25,533	22,810
Net current assets	11,602	8,773	10,373

Our current assets primarily consisted of trade receivables, amounts due from customers for contract work, amounts due from related companies, amount due from a director, deposits, prepayments and other receivables, bank balances and cash. Our current liabilities primarily consisted of trade payables, amounts due to customers for contract work, accruals and other payables, bank borrowings, obligations under finance leases and tax payable.

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Our net current assets decreased from HK\$11.6 million as at 31 August 2015 to HK\$8.7 million as at 31 August 2016, representing a reduction of 24.4%. The decrease in our net current assets was primarily attributable to the combined effects of (i) increase in trade receivables of HK\$5.7 million; (ii) increase in amounts due from customers for contract work of HK\$2.8 million; (iii) increase in deposits, prepayments and other receivables of HK\$0.7 million; and (iv) decrease in trade payables of HK\$2.4 million. Such increase was partially offset by (i) the decrease in amount due from a director of HK\$5.0 million; (ii) decrease in bank balances and cash of HK\$2.9 million; (iii) increase in bank borrowings of HK\$4.7 million; (iv) increase in tax payable of HK\$1.7 million; and (v) increase in obligations under finance leases of HK\$0.3 million.

Our net current assets increased to approximately HK\$10.4 million as at 31 December 2016 mainly due to i) the increase in trade receivables of approximately HK\$2.4 million as at 31 December 2016; ii) the decrease in bank balances and cash of approximately HK\$2.4 million as at 31 December 2016; and iii) decrease in tax payable balance of approximately HK\$2.3 million as compared to as at 31 August 2016.

DESCRIPTION OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

The following table sets out the carrying values of our property, plant and equipment as at 31 August 2015 and 2016:

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 August 2015	6,285	–	1,050	77	80	7,492
As at 31 August 2016	6,142	391	1,482	150	223	8,388

Our Group's fixed assets are leasehold land, buildings and improvements, motor vehicles, computer equipment, office equipment, furniture and fixtures. A majority of the fixed assets are leasehold land, buildings and improvements, which accounted for approximately 83.9% and 73.2% of the total fixed assets as at 31 August 2015 and 31 August 2016 respectively. The leasehold land and buildings represented the principal office located in Kwun Tong, Hong Kong and its leasehold improvements of the Group.

FINANCIAL INFORMATION

Trade receivables

The following table presents the breakdown of trade receivables as at the dates indicated:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	12,787	18,484

Our trade receivables primarily consist of amount receivables from customers for installation of various systems and provision of maintenance service during the Track Record Period. The balance of trade receivables increased from approximately HK\$12.8 million as at 31 August 2015 to approximately HK\$18.5 million as at 31 August 2016. The increase was mainly due to several sizable installation projects and maintenance works that were completed close to the end of the financial year ended 31 August 2016 and the receivables were not due for settlement as at 31 August 2016.

The following table sets forth the aging analysis of our trade receivables presented based on the invoice date, as at the dates indicated:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	6,307	9,532
31 to 60 days	2,323	3,428
61 to 90 days	1,280	2,113
Over 90 days	2,877	3,411

The following table sets out our trade receivables turnover days during the Track Record Period:

	Year ended 31 August	
	2015	2016
Trade receivables turnover days	66	71

Note: Trade receivables turnover days is calculated by average trade receivables balance over revenue during the year and then multiplied by 365. The average trade receivables balance is the balance at the beginning of the year plus the balance at the end of the year with the sum divided by two.

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The Group does not have a standardised and universal credit period granted to our customers. Upon accepting a new customer except for government bodies, property developers and incorporated owners of building, credit and background check are required to be conducted by sales team with the approval from our accounting team. A credit period of 90 days is available to certain customers with good credit record and with whom we have established business relationships. During the Track Record Period, our range of average credit period granted to our customers were 30 days to 90 days for the two years ended 31 August 2016, which was in accordance to our Group's credit policy.

Our Group has established credit control policies and procedures. We issue our invoices to the customers in accordance with the relevant purchase orders or contracts. Unless otherwise stated in the relevant purchase orders or contracts, our accounting team informs customer services team of any unsettled invoices for 30 days or more and our customer services team contacts the relevant customers for settlement of the outstanding invoice. Trade receivables aging report will be sent to customer services team to follow up with the settlement process. For invoices which are outstanding for over 30 or more days, our customer services team will contact the person-in-charge on the installation or maintenance sites to follow up with the settlement process. Our Directors will review the recoverable amount of the balance of each trade receivable on a monthly basis to ensure adequate bad debts provision is made. Upon approval from Directors, provision for bad debts will be recorded. Our Directors believe that our credit control policies and procedures are effective in enhancing our Group's ability to manage credit risk as during the Track Record Period, we did not experience any material difficulty in collecting trade receivable from our customers and did not make any provision on bad debt.

In addition, in some installation projects, the work we handled only formed part of the customer's entire system, and the customer also engaged other contractors to handle the other parts of the system. In such case, only until every contractor finished their respective work, the customer would not be able to test the functioning of the entire system. As confirmed by our Directors, it is the industry practice that the customer would only pay the contractors when the testing of the entire system is satisfactorily performed and completed.

Our trade receivables turnover days were approximately 66 days and 71 days for each of the two years ended 31 August 2016 respectively. The increase in trade receivables turnover days for the year ended 31 August 2016 as compared to 31 August 2015 of approximately 5 days was mainly attributable to the extended payment cycles of some of our customers who have no history of default in payment to our Group. Our Group will consider the following factors: i) history of default in payment; ii) any previous/existing bad debts provision made and iii) the years of business relationship with our Group before extending the credit periods granted to certain customers, which is in accordance with our credit control policies and procedures.

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As at Latest Practicable Date, approximately HK\$15.3 million, or approximately 82.8% of our trade receivables as at 31 August 2016 had been settled. Of the trade receivables that had been outstanding for over 90 days as at 31 August 2016, approximately HK\$2.5 million, or approximately 73.9% of them had been settled as at the Latest Practicable Date. The Directors consider that there has not been a significant change in credit quality of the trade receivables and there was no recent history of default and the balances are considered fully recoverable.

Amounts due from/to customers for contract work

For some of our installation projects, we send progress billings to customers in accordance with the payment schedule as stipulated in our contracts. However, there is often a timing difference between the recognition of revenue and the issuance of our progress billings. Amounts due from customers for contract work represent the surplus derived when the contract costs incurred to date plus recognised profits less losses exceed progress billings, while amounts due to contract customers represent the surplus derived when the progress billings exceed contract costs incurred to date plus recognised profits less losses.

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of each reporting period		
Contract costs incurred plus recognised profits less recognised losses	19,683	10,834
Less: progress billings	<u>(15,850)</u>	<u>(4,103)</u>
	<u>3,833</u>	<u>6,731</u>
Analysed for reporting purposes as:		
Gross amounts due from customers for contract work	4,230	7,041
Gross amounts due to customers for contract work	<u>(397)</u>	<u>(310)</u>
	<u>3,833</u>	<u>6,731</u>

The amounts due from/to contract customers are affected by the extent and value of services we have provided close to the end of each reporting period for each project and the timing difference between our revenue recognition and our progress billing, and thus vary from period to period.

The amounts due from customers for contract work increased from approximately HK\$4.2 million as at 31 August 2015 to approximately HK\$7.0 million as at 31 August 2016, which was mainly attributable to sizeable project installations undertaken by ours in the year ended 31 August 2016 without corresponding progress billing made as the project milestone had not yet been reached by the end of the year ended 31 August 2016.

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Among the amounts due from customer for contract work of approximately HK\$7.0 million as at 31 August 2016, approximately HK\$6.2 million were billed to our customers on or before the Latest Practicable Date, of which approximately HK\$2.0 million were settled as at the Latest Practicable Date.

Amounts due from related companies and a director

The amount due from a related company was HK\$3,000 as at 31 August 2015. The balance has increased to HK\$34,000 as at 31 August 2016 and it was due from three related companies. These balances are non-trade in nature, unsecured, interest-free and repayable on demand. The balances will be subsequently settled in full before Listing.

The amount due from a director is non-trade in nature, unsecured, interest-free and repayable on demand. As at 31 August 2015, the amount due from a director is approximately HK\$6.6 million and reduced to approximately HK\$1.6 million as at 31 August 2016. The balance will be subsequently settled in full before Listing.

Deposits, prepayments and other receivables

The following is a breakdown of deposits, prepayments and other receivables as at 31 August 2015 and 2016:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	130	276
Prepayments	39	850
Other receivables	<u>477</u>	<u>256</u>
	<u><u>646</u></u>	<u><u>1,382</u></u>

Our deposits, prepayments and other receivables mainly represent (i) rental deposits; (ii) utility deposits for office premises; (iii) deposits paid to suppliers for purchase orders; and (iv) prepayments of professional fees for the application of listing.

The balance of deposits, prepayments and other receivables increased from approximately HK\$0.6 million as at 31 August 2015 to approximately HK\$1.4 million as at 31 August 2016, mainly due to an increase in prepayment of professional fees in respect of the application for Listing amounting to approximately HK\$0.7 million.

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Bank balances and cash

Bank balances and cash amounted to approximately HK\$8.7 million as at 31 August 2015 and decreased to approximately HK\$5.8 million as at 31 August 2016. The decrease in bank balances and cash was primarily due to decrease in cash generated from operations.

Trade payables

The following table presents the trade payables as at the dates indicated:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	5,797	3,427

Our trade payables mainly represented amounts payable to our suppliers for the purchases of equipment, parts and systems used for installation and maintenance services provided for our customers. The balance decreased from approximately HK\$5.8 million as at 31 August 2015 to approximately HK\$3.4 million as at 31 August 2016. The reduction in trade payables balance is due to more settlement of overdue balances to our suppliers during the year ended 31 August 2016 as compared to the year ended 31 August 2015. This is in line with the decrease in over 90 days balance from approximately HK\$2.3 million as at 31 August 2015 to approximately HK\$1.0 million as at 31 August 2016.

The following table sets forth the aging analysis of our trade payables presented based on the invoice date, as at the dates indicated:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	3,156	1,745
31 to 60 days	331	593
61 to 90 days	24	122
Over 90 days	2,286	967

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The following table sets out our trade payables turnover days during the Track Record Period:

	Year ended 31 August	
	2015	2016
Trade payables turnover days	45	32

Note: Trade payables turnover days is calculated by average trade payables balance over total cost of sale during the year and then multiplied by 365. The average trade payables balance is the balance at the beginning of the year plus the balance at the end of the year with the sum divided by two.

Our trade payables turnover days were approximately 45 days and 32 days for the two years ended 31 August 2016 respectively. As compared to the year ended 31 August 2015, the lower turnover days for the year ended 31 August 2016 of approximately 13 days was mainly attributable to the increase in settlement of overdue balances to our suppliers during the year ended 31 August 2016, which is in line with the reduction in over 90 days balance from HK\$2.3 million as at 31 August 2015 to HK\$1.0 million as at 31 August 2016.

Increase in trade receivables during the Track Record Period and mismatch in turnover days for trade receivables and trade payables

Our trade receivables primarily consist of amount receivables from customers for installation of various systems and provision of maintenance service during the Track Record Period. The balance of trade receivables increased from HK\$12.8 million as at 31 August 2015 to HK\$18.5 million as at 31 August 2016. The increase was mainly due to several sizable installation projects and maintenance works which were completed close to the end of the financial year ended 31 August 2016 and such receivables were not due for settlement as at 31 August 2016.

For the two years ended 31 August 2016, our trade receivables turnover days were approximately 66 days and 71 days whereas our trade payables turnover days were approximately 45 days and 32 days, respectively. As such, our credit periods for payment to our suppliers were generally shorter than that we offered to our customers and thus, our cash inflow and outflow might be mismatched. In accordance with our Group's cash monitoring policy, weekly trade receivables aging report will be sent out to customer services team and monthly trade receivables aging report will be reviewed and approved by Directors. For invoices which are outstanding for over 30 or more days, the customer services team will contact with the person-in-charge on site directly to follow up with the settlement process. Upon approval from Directors, suspension of services, warning letters or legal action may be taken. This procedure will allow the management to monitor on the outstanding balances and minimise the liquidity risk arising from the mismatch between trade receivables turnover days and trade payables turnover days.

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The Directors confirmed that as at Latest Practicable Date, approximately 80.5% of the outstanding trade receivable which was overdue as at 31 August 2016 was subsequently settled. Taking into consideration of the assessment performed by the internal control advisers, we consider our credit control policy is effective as 80.5% of the outstanding trade receivable balance which was overdue as at 31 August 2016 was subsequently settled since the implementation of our credit control policy in September 2016.

Our suppliers and subcontractors normally grant us a credit period between 30 to 60 days. As at the Latest Practicable Date, approximately HK\$2.8 million, or approximately 80.8% of our trade payables balance as at 31 August 2016 had been settled. Of the trade payables that had been outstanding for over 90 days, approximately of HK\$0.3 million, or approximately 34.0% of them had been settled as at Latest Practicable Date.

Accruals and other payables

The following table presents the breakdown of accruals and other payables as at the dates indicated:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals and other payables	<u>387</u>	<u>373</u>

Our accruals and other payables mainly consisted of accruals for audit fees and advance receipts from customers. The accruals and other payables decreased by approximately of HK\$14,000 from HK\$387,000 as at 31 August 2015 to HK\$373,000 as at 31 August 2016.

Accruals and other payables mainly represent the accruals for audit fees. As at 31 August 2015 and 2016, the balances amounted to approximately HK\$160,000 and HK\$160,000 respectively. Advance receipts represented the contract amounts received from customers or up-front deposit paid upon signing of contract for which the corresponding work/services had not been rendered. As at 31 August 2015 and 2016, the balances amounted to HK\$151,800 and HK\$151,800 respectively.

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INDEBTEDNESS

The following table sets out the amounts of our indebtedness as at the dates indicated:

	As at 31 August		As at 31
	2015	2016	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
			(unaudited)
Current liabilities			
Bank borrowings	12,740	17,462	16,708
Obligations under finance leases	258	525	467
Non-current liabilities			
Obligations under finance leases	372	435	–

As at 31 August 2016 for the purpose of this indebtedness statement, our Group's indebtedness consisted of bank borrowings of approximately HK\$17.5 million and obligations under finance leases of approximately HK\$1.0 million. There are no material covenants relating to our Group's outstanding debts. As at 31 August 2015 and 2016, our Group total borrowings (comprising bank borrowings and obligation under finance leases) amounted to approximately HK\$13.4 million and HK\$18.4 million respectively. The increase in total indebtedness as at 31 August 2016 as compared with 31 August 2015 was mainly due to the increase in bank borrowings.

As at 31 December 2016, the Group had outstanding secured bank borrowings of approximately HK\$16.7 million, which were secured by the Group's land and buildings with carrying value of approximately HK\$6 million and personal guarantee provided by the Company's director of approximately HK\$16.7 million and finance lease obligations of approximately HK\$0.5 million. All the corresponding personal guarantees provided by Dr. Ng will be released and replaced by corporate guarantees to be issued by the Company.

As at 31 December 2016, our Group had total available banking facilities of approximately HK\$23 million, of which approximately HK\$16.7 million was utilised and approximately HK\$6.3 million was unrestricted and unutilised. We have not experienced any difficulty in obtaining bank borrowings to finance our operations during the Track Record Period. Our Directors confirmed we had not materially defaulted or delayed in payments of trade and non-trade payables and borrowings, and/or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, the Group did not have any other debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities as at 31 December 2016.

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Bank borrowings

Bank borrowings of our Group contain a repayment on demand clause. Accordingly, all borrowings are classified as current liabilities in the combined statements of financial position. The following table sets out borrowings based on scheduled repayment dates:

	As at 31 August		As at 31 December
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Carrying amount of bank borrowings repayable within one year	2,346	10,454	9,915
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	10,394	7,008	6,793

Our Group had bank borrowings of approximately HK\$12.7 million and HK\$17.5 million as at 31 August 2015 and 2016 respectively, which were used for financing our Group's installation projects and maintenance services and overall growth of our business. As at 31 August 2016, the increase in bank borrowings of approximately HK\$4.7 million as compared to 31 August 2015 was mainly due to increase in bank borrowings of HK\$11 million and partially offset by repayment of loan of approximately HK\$6.3 million during the year ended 31 August 2016.

All of our Group's bank borrowings are denominated in Hong Kong dollar and the effective interest rates were as follows:

	As at 31 August		As at 31 December
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Variable-rate bank loans	2.01% to 5.37%	2.15% to 4.25%	2.15% to 4.50%

As at 31 August 2015 and 31 August 2016, our Group's banking facilities are secured by:

- (i) Personal guarantees of a Director, namely Dr. Desmond Ng;
- (ii) Leasehold land and buildings of our Group with the aggregate net carrying amount of approximately HK\$6.3 million and HK\$6.1 million as at 31 August 2015 and 31 August 2016 respectively; and

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- (iii) Loan guarantees of approximately HK\$6.1 million as at 31 August 2015 and HK\$4.2 million as at 31 August 2016, under SME Financing Guarantee Scheme issued by HKMC.

The corresponding bank with banking facilities granted to our Group as at the Latest Practicable Date has agreed in principle that the personal guarantees will be released and replaced by corporate guarantees to be issued by the Company. The Directors confirmed that the bank loans which are guaranteed under the SME Financing Guarantee Scheme operated by the HKMC would be settled before Listing. So upon such settlement, all the corresponding personal guarantees provided by Dr. Ng will be released.

Obligations under finance leases

Our Group leases certain of its motor vehicles and these leases are classified as finance leases. The lease obligations are secured by the leased assets.

The future lease payments under the finance leases are due as follows:

	As at 31 August		As at 31 December
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Present value of minimum lease payments:			(unaudited)
Amounts due for settlement within 12 months	258	525	467
Amounts due for settlement after 12 months	372	435	–

The amount of obligations under finance leases was approximately HK\$0.6 million and HK\$1.0 million as at 31 August 2015 and 31 August 2016 respectively. The aggregate net carrying amount of our Group's motor vehicles held under finance leases amounted to approximately HK\$0.9 million and HK\$1.0 million as at 31 August 2015 and 31 August 2016 respectively.

The interest rates for the finance leases ranged from 2.50% to 4.95% per annum during the Track Record Period. The lease periods are within five years and the finance leases are repayable in fixed monthly installments with principal plus interest. No arrangement has been entered into for contingent rental payments. The Group's finance lease liabilities are subject to personal guarantees provided by Mr. Desmond Ng. The Directors confirmed that such outstanding finance lease liabilities would be settled before Listing.

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CONTINGENT LIABILITIES

At the end of each of the Track Record Period, our Group did not have any significant contingent liabilities.

SUMMARY OF KEY FINANCIAL RATIOS

		As at/For the year ended 31 August	
	Notes	2015	2016
Gross profit margin	1	29.1%	33.7%
Net profit margin	2	13.5%	12.7%
Current ratio (times)	3	1.5	1.3
Quick ratio (times)	4	1.5	1.3
Gearing ratio (times)	5	0.8	1.2
Net debt to equity (times)	6	0.3	0.8
Return on equity	7	42.9%	65.8%
Return on total assets	8	18.7%	24.0%
Interest coverage ratio (times)	9	19.1	31.2

Notes:

1. Gross profit margin equals gross profit for the year divided by revenue for the year.
2. Net profit margin equals net profit for the year divided by revenue for the year.
3. Current ratio is calculated by current assets over current liabilities as at the end of the respective year.
4. Quick ratio is calculated by current assets (excluding inventory) over current liabilities as at the end of the respective year.
5. Gearing ratio is calculated by total debt over total equity as at the end of the respective year. Total debt includes all interest-bearing loans and obligation under finance lease.
6. Net debt to equity is calculated by net debt over total equity as at the end of the respective year. Net debt includes all interest-bearing loans and obligation under finance leases, net of cash and cash equivalent.
7. Return on equity is calculated by profit for the year over total equity as at the end of the respective year.
8. Return on total assets is calculated by profit for the year over total assets at the end of the respective year.
9. Interest coverage ratio is calculated by profit for the year before interest and tax over interest expense for the year.

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Gross profit margin

Our gross profit margin were approximately 29.1% and 33.7% for the year ended 31 August 2015 and 2016, respectively. For further information in relation to our gross profit margin, please refer to the paragraph headed “Description of selected components of combined statements of profit or loss and other comprehensive income – Gross profit and gross profit margin” in this section.

Net profit margin

Our net profit margin were approximately 13.5% and 12.7% for the year ended 31 August 2015 and 2016 respectively. We incurred more expenses in connection with the Listing, which had led to the decline in our net profit margin.

Current ratio

Our current ratio decreased from 1.5 times as at 31 August 2015 to 1.3 times as at 31 August 2016 due to the decrease in our current asset, which is primarily due to the decrease in amount due from a director and increase in bank borrowings as at 31 August 2016.

Quick ratio

Our quick ratio as at 31 August 2015 and 31 August 2016 were the same as the current ratio since our Group did not have any inventory.

Gearing ratio

The gearing ratios were 0.8 times and 1.2 times as at 31 August 2015 and 31 August 2016 respectively. The higher gearing ratio was mainly attributable to increase in bank borrowings from HK\$12.7 million as at 31 August 2015 to HK\$17.5 million as at 31 August 2016.

Net debt to equity

The net debt to equity ratio were approximately 0.3 times and 0.8 times as at 31 August 2015 and 31 August 2016 respectively. The higher net debt to equity ratio was mainly attributable to increase in bank borrowings from HK\$12.7 million as at 31 August 2015 to HK\$17.5 million as at 31 August 2016.

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Return on equity

Our return on equity ratio increased to approximately 65.8% for the year ended 31 August 2016 from approximately 42.9% for the year ended 31 August 2015, which was mainly due to combined effects of (i) the increase in profit from HK\$7.6 million for the year ended 31 August 2015 to HK\$10.2 million for the year ended 31 August 2016; and (ii) the increase in declaration of dividends of approximately HK\$10.3 million during the year ended 31 August 2016.

Return on total assets

Our return on total assets ratio increased to approximately 24.0% for the year ended 31 August 2016 from approximately 18.7% for the year ended 31 August 2015, which was mainly due to the increase in profit during the year ended 31 August 2016 by approximately HK\$2.7 million as compared to the year ended 31 August 2015.

Interest coverage ratio

The interest coverage ratio was approximately 19.1 times for the year ended 31 August 2015, 12.1 times lower than interest coverage ratio for the year ended 31 August 2016. Such increase was mainly due to the decrease in our finance costs of approximately HK\$0.1 million and increase in our profit from operations of approximately HK\$3.7 million for the year ended 31 August 2016.

FINANCIAL RISK MANAGEMENT

We are exposed to market risk, interest rate risk, credit risk and liquidity risk. Further details on our financial risk management policies and practices are set out in Note 6 to the financial information in the Accountants' Report.

CAPITAL MANAGEMENT

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security affordable by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of the gearing ratio.

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CAPITAL EXPENDITURES

Our Group's capital expenditures primarily consisted of additions to property, plant and equipment. The following table sets forth details of our capital expenditures during the Track Record Period:

	For the year ended	
	31 August	
	2015	2016
	HK\$'000	HK\$'000
Leasehold improvements	–	524
Motor vehicles	796	1,109
Computer equipment	61	105
Office equipment, furniture and fixtures	76	178

During the Track Record Period, our Group incurred capital expenditures of HK\$0.9 million and HK\$1.9 million for the two years ended 31 August 2015 and 2016, respectively. Majority of the capital expenditures was used to acquire motor vehicles to support the growth of the Group's business, and the increase in the number of installation projects and maintenance works.

We expect to meet future capital expenditure requirements through our available bank balances and cash, cash generated from our expanding operations and bank borrowings, as well as net proceeds from the Share Offer.

COMMITMENTS

Operating lease commitments

During the Track Record Period, our Group leases motor vehicles under finance lease. The total future minimum lease payments under these leases are due as follow:

	As at 31 August	
	2015	2016
	HK\$'000	HK\$'000
Present value of minimum lease payments:		
Amounts due for settlement within 12 months	564	515
Amounts due for settlement after 12 months	1,005	511

Our Group did not have significant capital commitments as at 31 August 2015 and 31 August 2016.

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OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments and arrangements.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds and the estimated net proceeds from the Share Offer, our Directors are of the opinion, and the Sponsor concurs, that our Group has sufficient working capital and financial resources to meet its capital expenditure and working capital requirements for at least 12 months from the date of this prospectus.

We expect to finance our working capital requirements for the 12 months following the date of this prospectus with the following sources of funding:

- cash inflows generated from our operating activities;
- proceeds from bank loans, including short-term and long-term bank loans;
- the cash and cash equivalents available; and
- proceeds to be received by our Group from the Share Offer.

LISTING EXPENSES

The total amount of the expenses and commission in connection with the Listing is approximately HK\$18.0 million, of which approximately HK\$4.5 million will be borne by the Selling Shareholder and the remaining approximately HK\$13.5 million will be borne by the Group.

Of the aggregate listing expenses borne by our Group of approximately HK\$13.5 million, approximately HK\$2.0 million is directly attributable to the issue of New Shares and will be accounted for as a deduction from equity upon Listing and approximately HK\$11.5 million will be charged to our profit or loss account. We have incurred approximately HK\$2.7 million of listing expenses during the Track Record Period. An additional amount of approximately HK\$8.8 million will be charged to the profit or loss for the year ending 31 August 2017. Expenses in relation to the Listing are non-recurring in nature.

The Director wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ended 31 August 2017 will be materially and adversely affected by the estimated expenses in relation to the Listing.

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SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 August 2016, please refer to Note C to the Accountants' Report.

DIVIDEND AND DIVIDEND POLICY

For each of the two years ended 31 August 2016, we declared and paid interim dividends of HK\$2.0 million and HK\$12.3 million respectively to our Shareholders. Such amounts were fully settled by netting off the amount due from a director.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us; and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

PROPERTY INTERESTS AND PROPERTY VALUATION

A valuation on the Group's property interests in the owned properties of the Factory D on 3/F of Block II of Camelpaint Buildings as at 31 January 2017 has been conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Valuation certificate issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited is included in the section headed "Appendix IV —Valuation report" in this prospectus.

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The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from our consolidated financial information as at 31 August 2016 with the valuation of property interests as at 31 January 2017:

	<i>HK\$'000</i>
Net book value of land and buildings of	
the property interests as at 31 August 2016 (audited)	6,142
Movement from 31 August 2016 to 31 January 2017 (unaudited)	
Depreciation	<u>(60)</u>
Net book value of land and buildings of	
the property interests as at 31 January 2017 (unaudited)	6,082
Valuation surplus as at 31 January 2017	<u>8,918</u>
Valuation of land and buildings of the property interests as	
at 31 January 2017 as set out in the Property Valuation	
Report in Appendix IV ^{Note}	<u><u>15,000</u></u>

Note: The valuation of the property interests as at 31 January 2017 of HKD15,000,000 as set out in the Property Valuation Report in Appendix IV.

DISTRIBUTABLE RESERVES

Our Company was incorporated on Cayman Islands and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible of our Group has been prepared, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 August 2016. Please see the section headed “Appendix II – Unaudited pro forma financial information” for details.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in Note 32 of the Accountants’ Report, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favorable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

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DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FOREIGN EXCHANGE EXPOSURE

As all of our operations are in Hong Kong, all of our revenue from customers of our Group are derived from activities in Hong Kong. Our Directors consider that we will have sufficient Hong Kong dollars generated from our operations to pay dividends and to meet our liabilities as they become due.

MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business and revenue model remained unchanged. Our Directors have not noticed any material delay or interruption for our existing projects which would have material adverse impact on our financial and operation position. Our Directors have confirmed that they have performed sufficient due diligence to ensure that as at the Latest Practicable Date and up the date of this prospectus saved as disclosed above, there has been no material adverse change in the financial and trading position or prospects of our Group since 31 August 2016, being the date to which the latest audited financial statements of our Group were made up. Our Directors consider that all information necessary for the investing public to make an informed judgment as to the business activities and financial position of our Group has been included in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVE AND STRATEGIES

Our goal is to continue to be one of the leading ELV solutions providers in Hong Kong. Please refer to the paragraph headed “Business – Business strategies” in this prospectus for a description of our future plans.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The net proceeds of the Share Offer will provide us with the necessary funding to expand our business, allow us to take up larger projects and strengthen our financial position. Our Directors also believe that listing of the Shares on GEM will allow us to access the capital market for raising funds in the future. More importantly, a public listing status will enhance our corporate profile and recognition, which our Directors believe can (i) assist us in the tendering process for new projects; (ii) strengthen our relationships with our existing suppliers and customers; and (iii) promote our brand to potential new customers.

As at 31 August 2016, our Group’s cash and bank balances was approximately HK\$5.8 million and the borrowings were approximately HK\$17.5 million. As discussed in the paragraph headed “Business – Business strategies” in this prospectus, we must maintain a strong financial position to secure more projects with larger contract sum from the customers in the public sector.

The Directors consider the current balances can support the Group’s existing operations, but cannot support the Group’s growth. The net proceeds expected to be received by us from the Share Offer are necessary for the implementation of the Group’s future plans which require capital including approximately HK\$12.0 million for expanding its existing ELV solutions business; approximately HK\$4.4 million for obtaining additional licenses and qualifications; approximately HK\$3.0 million for purchasing five commercial vehicles and two street lamp cars; and approximately HK\$1.5 million for developing new mobile app for customers, totaling to approximately HK\$20.9 million.

As a result, there is a shortfall of the capital for the Group to conduct the expansion plan. Therefore, the Group has a justifiable funding need and that it is in the interest of the Group to conduct equity financing through the Share Offer. Our Directors confirm that we will commence the expansion plan after we have obtained the net proceeds from the Share Offer.

Alternatively, our Directors considered as an ELV solution providing company, human capital is considered as one of the most valuable assets. Thus, the Group generally does not invest in any significant amount of fixed assets (e.g. land and buildings) to render its services. As such, our Group does not have any material amount of fixed assets available for security or pledge to support us to secure a higher amount of banking facilities for our business needs.

FUTURE PLANS AND USE OF PROCEEDS

Moreover, the Directors were reluctant to obtain large amounts of debt financing since unfavourable terms such as interest rate and collateral requirement are relatively unfavourable when comparing with equity financing. Ultimately, raising fund through Share Offer is undoubtedly more justifiable than obtaining additional bank loan.

Assuming that the Offer Price is determined at HK\$0.15 (being the mid-point of the Offer Price range), the aggregate amount of net proceeds of the Share Offer to be received by our Company after deducting the underwriting commission and estimated expenses payable by our Company is estimated to be approximately HK\$31.5 million. Our Directors currently intend to apply such net proceeds in the following manner:

- (a) approximately HK\$12.0 million or 38.1% will be used for expanding our existing ELV solutions business by offering instalment payment option to our customers;
- (b) approximately HK\$4.4 million or 14.0% will be used for obtaining additional licences and qualifications;
- (c) approximately HK\$8.0 million or 25.4% will be used for reducing our gearing ratio by repaying a certain bank borrowing in an one-off manner⁽¹⁾;
- (d) approximately HK\$3.0 million or 9.5% will be used for purchasing five more commercial vehicles and two street lamp cars;
- (e) approximately HK\$1.5 million or 4.8% will be used for developing new mobile app for our customers to place their order for maintenance service; and
- (f) approximately HK\$2.6 million or 8.3% will be used for working capital and other corporate development purposes.

Note 1: It refers to a revolving term loan of approximately HK\$8.0 million with interest charged at 2.0% per annum below prime rate and will mature every three months from the drawdown date.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the net proceeds of the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is determined at a higher or lower level compared to the mid-point of the Offer Price range.

Assuming that the Offer Price is determined at HK\$0.17 (being the high-end of the Offer Price range), our Company will receive additional net proceeds of approximately HK\$5.8 million. We current intend to apply such additional net proceeds to the above proposed ways of use of proceeds, save and except for the repayment of outstanding bank loan, on a pro-rata basis.

Assuming that the Offer Price is determined at HK\$0.13 (being the low-end of the Offer Price range), the net proceeds our Company receives will be reduced by approximately HK\$5.8 million. We currently intend to reduce the net proceeds to the above proposed ways of use of proceeds, save and except for the repayment of outstanding bank loans, on a pro rata basis.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, our Directors currently intend that such proceeds be placed on short-term deposits with licensed banks and/or financial institutions.

We estimate that ECI Asia will receive net proceeds of approximately HK\$10.5 million assuming that the Offer Price is determined at HK\$0.15 (being the mid-point of the range of the Offer Price). We will not receive any of the net proceeds of the Share Offer from the sale of the Sale Shares by ECI Asia.

Our Directors consider that the net proceeds from the Share Offer together with our internal resources will be sufficient to finance the implementation of our business plans as set forth in the paragraph under in this section. **Investors should be aware that any part of our business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan(s) materialise.**

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLAN

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 31 September 2018. Prospective investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected timeframe or that the objectives of our Group will be accomplished at all. Based on the current status of the industry, our Directors intend to carry out the following implementation plans:

(a) For the period from the Latest Practicable Date to 31 August 2017

		<i>HK\$ million</i>
Expand our existing ELV solutions business by offering instalment payment option to our customers	Obtain four installation projects	3.0
Reduce our gearing ratio	Repaying a certain bank borrowing in an one-off manner	8.0
Purchase equipment	Purchase one street lamp car	1.0
	Purchase four commercial vehicles for our maintenance team	0.8
Develop new software	Engage external professionals to develop mobile app for our customers	1.5

FUTURE PLANS AND USE OF PROCEEDS

(b) For the period from the 1 September 2017 to 28 February 2018

		<i>HK\$ million</i>
Expand our existing ELV solutions business by offering instalment payment option to our customers	Obtain six installation projects	3.6
Purchase equipment	Purchase one street lamp car	1.0
	Purchase one commercial vehicle for our maintenance team	0.2

(c) For the period from the 1 March 2018 to 31 August 2018

		<i>HK\$ million</i>
Expand our existing ELV solutions business by offering instalment payment option to our customers	Obtain nine installation projects	5.4
Obtain additional licences and qualifications	Satisfy the minimum working capital and employed capital requirement for “Electrical and Mechanical Installation for Sewage Treatment and Screening Plant”	3.4
	Purchase relevant equipment for the project under this qualification	1.0

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- (a) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (b) there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (c) there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- (d) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (e) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- (f) there will be no change in the effectiveness of the qualifications and licences obtained by our Group; and
- (g) we will not be materially affected by the risk factors as set out in the section headed “Risk factors” in this prospectus.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Bookrunners, Joint Lead Managers and Public Offer Underwriters

Kingsway Financial Services Group Limited

Ping An Securities Limited

Gransing Securities Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of the 40,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any event, or series of events, beyond the reasonable control of the Placing Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the Cayman Islands or any other jurisdiction relevant to any member of our Group (the “**Group Company**”) or the Share Offer (collectively, the “**Relevant Jurisdictions**”) which in the reasonable opinion of the Joint Lead Managers has or would have the effect of making any part of this Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock, credit and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting the Relevant Jurisdictions; or
 - (iii) any new law or change 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 other competent authority in any of the Relevant Jurisdictions; or

UNDERWRITING

- (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (v) a change or development occurs involving a prospective change in taxation, exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or
- (vi) any material change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any Group Company (other than those fully covered by an insurance policy of our Group Company), the Executive Directors and/or the Controlling Shareholders; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or
- (ix) any loss or damage sustained by any Group Company (howsoever caused but excluding such loss or damage which are subject of and fully covered by any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of any Group Company or any Group Company 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 Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

UNDERWRITING

- (xii) any adverse change or development involving a prospective change in the condition (financial or otherwise) or in the earnings, business affairs, business prospects or trading position of any Group Company, or customer confidence, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any Group Company, or any investigation of any Group Company or an order for suspension of business by any governmental authority; or

- (xiii) an Executive Director being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship, or the commencement by any governmental authority of any investigation or other action against any Director in his/her capacity as such or an announcement by any governmental authority that it intends to investigate or take any such actions; or

- (xiv) the chairman or chief executive officer of our Company vacating his/her office; or

- (xv) non-compliance of this prospectus (or any other documents used in connection with the Share Offer) or any aspect of the Share Offer with the GEM Listing Rules, the Articles of Association, the Companies Ordinance, the Companies Winding Up and (Miscellaneous Provisions) Ordinance, the SFO or any other applicable Laws by any of our Company, the Controlling Shareholders, or the Directors,

which, individually or in aggregate, in the absolute opinion of the Joint Lead Managers:

- (1) is/are or shall have or could be expected to have a material adverse effect on the assets, liabilities, general affairs, management, shareholders' equity, profits, losses, results of operations, business, financial or other condition or prospects of our Group as a whole or in the case of sub-paragraph (b)(v) below, to any present or prospective shareholder of our Company in his, her or its capacity as such; or

- (2) has/have or shall have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or

- (3) make(s) it inadvisable, inexpedient or impracticable for the Share Offer to proceed; or

UNDERWRITING

- (4) has or will or may be expected to have the effect of making any part of this Agreement or the Share Offer incapable of implementation or performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof;

- (b) there has come to the notice of the Joint Lead Managers:
 - (i) that any statement, considered by the Joint Lead Managers to be material in their absolute discretion, contained in any of this prospectus, Application Forms and any document in connection of the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation contained in any of such document is not true and honest and based on reasonable assumptions; or

 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Joint Lead Managers to be material to the Share Offer; or

 - (iii) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement (other than on the Placing Underwriters) which the Joint Lead Managers consider to be material; or

 - (iv) any change or development reasonably considered by the Joint Lead Managers to have or could be expected to have a material adverse effect on business affairs, prospects, assets, liabilities, general affairs, management, shareholders' equity profits, losses, results of operations, or the financial or trading position or otherwise, or performance of any Group Company; or

 - (v) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties contained in the Public Offer Underwriting Agreement, which the Joint Lead Managers consider to be material; or

 - (vi) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnified parties under the Public Offer Underwriting Agreement; or

 - (vii) approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue and to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

UNDERWRITING

- (viii) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the documents issued in connection with the Public Offer or the Placing (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or to the issue of any of such documents; or
 - (ix) our Company withdraws any of the documents issued in connection with the Public Offer or the Placing and/or any other documents used in connection with the contemplated subscription of the Offer Shares; or
 - (x) any prohibition on our Company by any governmental authority for whatever reasons from offering, allotting or issuing the Shares pursuant to the terms of the Share Offer; or
- (c) the Public Offer does not proceed on or before the Listing Date or the Public Offer Underwriting Agreement is terminated due to any reason whatsoever.

Undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, and each of our Controlling Shareholders and Executive Directors has undertaken to and covenants with the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that he/it will procure our Company that it shall:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29(1) to 17.29(4) of the GEM Listing Rules, not without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the GEM Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, 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 (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or 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 such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);

UNDERWRITING

- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29(1) to 17.29(4) of the GEM Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules); and

provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Under Rule 17.29 of the GEM Listing Rules, we have also undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalisation Issue and the Share Offer (including the exercise of any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 17.29 of the GEM Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

- (a) Pursuant to Rule 13.16A of the GEM Listing Rules, each of our Controlling Shareholders jointly and severally agrees and undertakes to our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Stock Exchange that, none of the Controlling Shareholders will, and they will procure the relevant registered holder(s) and their respective associates and companies controlled by them and any nominee or trustee holding in trust for them shall not:
- (i) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders are made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), among others, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances (as defined below) in respect of, any of the Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s);
 - (ii) in the period of six months commencing on the date immediately following the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“**Encumbrances**”) in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder; and
 - (iii) in addition to the undertakings pursuant to Rule 13.16A of the GEM Listing Rules, each of our Controlling Shareholders has further voluntarily undertaken to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that for a further 12 months commencing on the date on which the period referred to in (ii) above expires, he/it shall not, and he/it shall procure the relevant registered holder(s) and his/its respective associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of, any of the Shares above if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder; and for avoidance of doubt, the non-disposal undertaking pursuant to this sub-paragraph shall not be waived or amended unless with the prior approval of independent Shareholders obtained in a general meeting of the Company.

UNDERWRITING

- (b) Each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sponsor, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Stock Exchange that during the 24 months period from the Listing Date:
- (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/it must immediately inform our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in writing of such pledges or charges immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
 - (ii) having pledged or charged any of his/its interests in the Shares under paragraph (i) above, when our Controlling Shareholders receive indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or, interests in the securities of our Company will be sold, transferred or disposed of, he/it must immediately inform our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in writing of such indications.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our Controlling Shareholders, the Selling Shareholder, and our Executive Directors will enter into the Placing Underwriting Agreement with the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

UNDERWRITING

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” above in this section.

Commission, fees and expenses

The Public Offer Underwriters will receive a gross underwriting commission of 3.5 % of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters. In addition, Kingsway Financial Services Group Limited, as one of Joint Bookrunners and Joint Lead Managers, will receive a fixed management fee of HK\$1,000,000 according to the Placing Underwriting Agreement.

Based on the Offer Price of HK\$0.15 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$18 million in total, and of which approximately HK\$13.5 million shall be borne by our Company and approximately HK\$4.5 million shall be borne by the Selling Shareholder.

UNDERWRITING

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a sponsorship fee to the Share Offer. The Joint Bookrunners and Joint Lead Managers and the Underwriters will receive an underwriting commission and/or praecipium and/or management fee. Particulars of these underwriting commission, fees and expenses are set forth under the paragraph headed "Commission, fees and expenses" above.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors, the Joint Bookrunners and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23(7) of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer.

The Share Offer consists of:

- a. the Public Offer of 40,000,000 New Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed “The Public Offer” below; and
- b. the Placing of an aggregate of 360,000,000 Shares (subject to reallocation as mentioned below) comprising 260,000,000 New Shares and 100,000,000 Sale Shares which will conditionally be placed with selected professional, institutional, and other investors under the Placing.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing may be subject to reallocation as described in the paragraph headed “The Public Offer – Reallocation” below.

References in this prospectus to applications, the Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 40,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Capitalisation Issue and Share Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” of this section.

Allocation

Allocation of the Public Offer 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 appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares 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.

Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares, being the 50% of the 40,000,000 Public Offer shares initially available under the Public Offer are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation. A clawback mechanism will be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 120,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 160,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (c) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 200,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In each case, additional Offer Shares will be reallocated to the Public Offer and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer Shares are not fully subscribed, the Joint Lead Managers (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate. If the Placing Shares are not fully subscribed or purchased, the Joint Lead Managers (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed or un-purchased Placing Shares to the Public Offer in such amount as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she 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 Placing 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 if he or she has been or will be placed or allocated Placing Shares under the Placing.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of Offer Shares offered

Subject to reallocation as described above, the Placing will consist of 360,000,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" in this section 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 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 Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The total number of Offer Shares to be issued and sold pursuant to the Placing may change as a result of the clawback arrangement described in the subsection headed “The Public Offer – Reallocation” above, and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

Offer Price range

The Offer Price will not be more than HK\$0.17 per Offer Share and is expected to be not less than HK\$0.13 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 not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.17 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,434.26 per board lot of 20,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.17 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, 8 March 2017, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Change to Offer Price range

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, reduce the number of the Offer Shares being offered under the Share Offer and/or change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.ecinfohk.com** notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a reduction in the number of the Offer Shares and/or change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Announcement of the Offer Price and the basis of allocations

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be published on Thursday, 9 March 2017 on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.ecinfohk.com** website.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around Friday, 3 March 2017. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed “Underwriting” of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus:

- (i) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Capitalisation Issue and the Share Offer (including the Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme);
- (ii) the entering into the Price Determination Agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date; and
- (iii) the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional and not being terminated in accordance with the terms of the Underwriting Agreements.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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 us on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.ecinfohk.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to apply for Public Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Thursday, 9 March 2017 but will only become valid certificates of title at 8:00 a.m. on Friday, 10 March 2017 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 – Public Offer – Grounds for termination" in this prospectus has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

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

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 10 March 2017, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 10 March 2017.

The Shares will be traded in board lots of 20,000 Shares each. The stock code of the Shares is 8013.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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; 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 Joint Bookrunners, the Joint Lead Managers, 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** service, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If an application is made by a person under a power of attorney, our Company, the Sponsor, the Joint Bookrunners and Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service 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 of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person or a core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the GEM Listing Rules) of any of the above; and
- 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, either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** Service Provider at www.hkeipo.hk under the **HK eIPO White Form** service.

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, either (i) complete and sign the **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 27 February 2017 to 12:00 noon on Thursday, 2 March 2017 from:

- (i) the following office of the Public Offer Underwriters:

Kingsway Financial Services Group Limited

7/F, Tower One,
Lippo Centre,
89 Queensway,
Hong Kong

Ping An Securities Limited

Unit 02, 2/F,
China Merchants Building,
152-155 Connaught Road Central,
Hong Kong

Gransing Securities Co., Limited

805-806 Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong

- (ii) any of the following branches of DBS Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	Hennessy Road Branch	427-429 Hennessy Road, Causeway Bay
Kowloon	Nathan Road Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Amoy Plaza Branch	Shops G193-195, Amoy Plaza, 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon
New Territories	Shatin Plaza Branch	Shop 47-48, Level 1, Shatin Plaza, 21-27 Sha Tin Center Street, Shatin

HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 27 February 2017 until 12:00 noon on Thursday, 2 March 2017 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 "Ting Hong Nominees Limited – ECI 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:

- Monday, 27 February 2017 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 28 February 2017 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 1 March 2017 – 9:00 a.m. to 5:00 p.m.
- Thursday, 2 March 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 2 March 2017, the last application day or such later time as described in "Effect of bad weather on the opening of the applications lists" in this section.

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** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sponsor and/or the Joint Bookrunners and/or the Joint Lead Managers (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 Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 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 of the Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the 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 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 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 (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 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 deposit any share certificate(s) into CCASS and/or 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, the Directors, the Sponsor, the Joint Bookrunners and Joint Lead Managers 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 to the **HK eIPO White Form** Service Provider 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 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service 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** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 27 February 2017 until 11:30 a.m. on Thursday, 2 March 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 2 March 2017 or such later time under the “Effect of bad weather on the opening of the applications 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 instruction** given by you or for your benefit through the **HK eIPO White Form** service 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 instruction** under **HK eIPO White Form** more than once and obtaining different payment 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** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) 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 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 Centre
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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Joint Bookrunners, the Joint Lead Managers and our Hong Kong Share Registrar.

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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you understand that our Company, the Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers 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;
- 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 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 Share Registrar, the receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 (Winding Up and Miscellaneous Provisions) 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;
- 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 Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 20,000 Public Offer Shares. Instructions for more than 20,000 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Monday, 27 February 2017 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Tuesday, 28 February 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 1 March 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 2 March 2017 – 8:00 a.m.⁽¹⁾ 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 Monday, 27 February 2017 until 12:00 noon on Thursday, 2 March 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 2 March 2017, the last application day or such later time as described in “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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banker, the 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** service 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. The Company, the Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers 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** service 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 Thursday, 2 March 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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.

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 the **HK eIPO White Form** service, 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 dealing 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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

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** service in respect of a minimum of 20,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 20,000 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**.

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).

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 Thursday, 2 March 2017. 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 Thursday, 2 March 2017 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

The 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 on Thursday, 9 March 2017 on our Company's website at **www.ecinfohk.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) 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.ecinfohk.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 9 March 2017;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 9 March 2017 to 12:00 midnight on Wednesday, 15 March 2017;
- by telephone enquiry line by calling 852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 9 March 2017 to Tuesday, 14 March 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 9 March 2017 to Monday, 13 March 2017 at all the receiving bank branches and sub-branches.

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" of 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 to the **HK eIPO White Form** Service Provider, 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) 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.

(ii) If our Company or its agents exercise their discretion to reject your application:

The Company, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange 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** service 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, or the Joint Lead Managers 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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\$0.17 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” in this prospectus 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 Thursday, 9 March 2017.

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 Public Offer 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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

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).

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 Thursday, 9 March 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s). Share certificates will only become valid at 8:00 a.m. on Friday, 10 March 2017 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 the Hong Kong Share Registrar, 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 Thursday, 9 March 2017 or such other date as notified by us.

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 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 Thursday, 9 March 2017, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(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 Thursday, 9 March 2017, by ordinary post and at your own risk.

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 Thursday, 9 March 2017, 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 a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "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 Thursday, 9 March 2017 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 service

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 the Hong Kong Share Registrar, 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 Thursday, 9 March 2017, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Thursday, 9 March 2017 by ordinary post at your own risk.

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 Thursday, 9 March 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The 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 "Publication of Results" above on Thursday, 9 March 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 March 2017 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Thursday, 9 March 2017. 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 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 Thursday, 9 March 2017.

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 stockbroker or other professional adviser 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, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

27 February 2017

The Board of Directors
ECI Technology Holdings Limited

Kingsway Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the “Financial Information”) regarding ECI Technology Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the years ended 31 August 2015 and 2016 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 27 February 2017 (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 “Stock Exchange”).

The Company, principally engaged in investment holding, was incorporated in the Cayman Islands on 3 October 2016 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as detailed in the section headed “History, Reorganisation and Corporate Structure” of the Prospectus (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 9 February 2017, details of which are set out below.

Upon completion of the Reorganisation and up to the date of this report, the Company has direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital	Attributable equity interest held by the Company		At the date of this report	Principal activities
			31 August 2015	31 August 2016		
Directly held						
ECI International (BVI) Limited ("ECI International (BVI)")	British Virgins Islands (the "BVI") 4 October 2016	United States dollars ("US\$") 1	N/A	N/A	100%	Investment holding
Indirectly held						
Ec InfoTech Limited ("Ec InfoTech")	Hong Kong 17 March 2003	Hong Kong dollars ("HK\$") 2,300,986	100%	100%	100%	Provision of installation and maintenance services

All the companies now comprising the Group have adopted 31 August as their financial year end date.

No audited financial statements have been prepared for the Company and ECI International (BVI) since their respective dates of incorporation as there are no statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. For the purposes of this report, we have, however, reviewed all the significant transactions of these companies for the period from their respective dates of incorporation up to the date of this report and carried out such procedures as we considered necessary for inclusion of the Financial Information relating to these companies in this report.

The statutory financial statements of Ec InfoTech for the years ended 31 August 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and was audited by SHINEWING (HK) CPA Limited, certified public accountants registered in Hong Kong.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken independent audits on the Underlying Financial Statements for each of the years ended 31 August 2015 and 2016 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements on the basis set out in note 1 of Section A below, with no adjustments thereto, and in accordance with the applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”).

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information and to report our opinion to you.

BASIS OF OPINION

In our opinion, for the purpose of this report, and on the basis of preparation set out in note 1 of Section A below, the Financial Information gives a true and fair view of the combined financial position of the Group as at 31 August 2015 and 2016 and of the Group’s combined financial performance and cash flows for the Track Record Period.

A. FINANCIAL INFORMATION

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 August	
		2015 HK\$'000	2016 HK\$'000
Revenue	7	56,066	80,338
Cost of sales		<u>(39,741)</u>	<u>(53,265)</u>
Gross profit		16,325	27,073
Other income	9	161	81
Administrative expenses		<u>(6,897)</u>	<u>(13,848)</u>
Profit from operations		9,589	13,306
Finance costs	10	<u>(502)</u>	<u>(426)</u>
Profit before taxation		9,087	12,880
Income tax expenses	11	<u>(1,522)</u>	<u>(2,637)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	12	<u><u>7,565</u></u>	<u><u>10,243</u></u>
Earnings per share attributable to owners of the Company			
Basic and diluted	16	<u><u>N/A</u></u>	<u><u>N/A</u></u>

COMBINED STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31 August	
		2015 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment	17	<u>7,492</u>	<u>8,388</u>
Current assets			
Trade receivables	18	12,787	18,484
Amounts due from customers for contract work	19	4,230	7,041
Amounts due from related companies	20	3	34
Amount due from a director	21	6,569	1,612
Deposits, prepayments and other receivables	22	646	1,382
Bank balances and cash	23	<u>8,693</u>	<u>5,753</u>
		<u>32,928</u>	<u>34,306</u>
Current liabilities			
Trade payables	24	5,797	3,427
Amounts due to customers for contract work	19	397	310
Accruals and other payables		387	373
Bank borrowings	25	12,740	17,462
Obligations under finance leases	26	258	525
Tax payable		<u>1,747</u>	<u>3,436</u>
		<u>21,326</u>	<u>25,533</u>
Net current assets		<u>11,602</u>	<u>8,773</u>
Total assets less current liabilities		<u>19,094</u>	<u>17,161</u>
Non-current liabilities			
Obligations under finance leases	26	372	435
Deferred taxation	27	<u>1,101</u>	<u>1,162</u>
		<u>1,473</u>	<u>1,597</u>
		<u>17,621</u>	<u>15,564</u>
Capital and reserve			
Share capital	28	2,301	2,301
Retained earnings		<u>15,320</u>	<u>13,263</u>
		<u>17,621</u>	<u>15,564</u>

COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 September 2014	2,301	9,755	12,056
Dividend declared (<i>note 15</i>)	–	(2,000)	(2,000)
Profit and total comprehensive income for the year	<u>–</u>	<u>7,565</u>	<u>7,565</u>
At 31 August 2015 and 1 September 2015	2,301	15,320	17,621
Dividend declared (<i>note 15</i>)	–	(12,300)	(12,300)
Profit and total comprehensive income for the year	<u>–</u>	<u>10,243</u>	<u>10,243</u>
At 31 August 2016	<u><u>2,301</u></u>	<u><u>13,263</u></u>	<u><u>15,564</u></u>

COMBINED STATEMENT OF CASH FLOWS

	Year ended 31 August	
	2015 HK\$'000	2016 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	9,087	12,880
Adjustments for:		
Depreciation	465	780
Finance costs	502	426
Gain on disposal of property, plant and equipment	(100)	(39)
Gain on sales of listed equity investments	<u>(25)</u>	<u>–</u>
Operating profit before movements in working capital	9,929	14,047
Increase in trade receivables	(5,241)	(5,697)
Increase in deposits, prepayments and other receivables	(594)	(736)
Increase in amounts due from customers for contract work	(3,428)	(2,811)
Increase (decrease) in amounts due to customers for contract work	397	(87)
Increase (decrease) in trade payables	1,865	(2,370)
Increase (decrease) in accruals and other payables	<u>2</u>	<u>(14)</u>
Cash generated from operations	2,930	2,332
Income tax paid	<u>(512)</u>	<u>(887)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>2,418</u>	<u>1,445</u>
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(325)	(1,185)
Advance to related parties	–	(31)
Advance to a director	(3,350)	(7,343)
Proceeds from disposal of property, plant and equipment	100	279
Proceeds from sales of listed equity investments	<u>25</u>	<u>–</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,550)</u>	<u>(8,280)</u>

	Year ended 31 August	
	2015	2016
	HK\$'000	HK\$'000
FINANCING ACTIVITIES		
New bank borrowings raised	–	11,000
Repayment of bank borrowings	(2,671)	(6,278)
Repayment of finance lease	(234)	(401)
Interest paid	<u>(502)</u>	<u>(426)</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(3,407)</u>	<u>3,895</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,539)	(2,940)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>13,232</u>	<u>8,693</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>8,693</u></u>	<u><u>5,753</u></u>

NOTES TO THE FINANCIAL INFORMATION**1. General Information and Basis of Preparation**

The Company was incorporated in the Cayman Islands on 3 October 2016 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Etera Trust (Cayman) Limited, Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No.62 Hoi Yuen Road, Kowloon. The Company is principally engaged in investment holding. The principal activity of its major operating subsidiary is the provision of installation and maintenance services. The ultimate holding company of the Company is ECI Asia Investment Limited (“ECI Asia Investment”), a company incorporated in Cayman Islands. The ultimate controlling party of the Group is Dr. Ng Tai Wing (“Dr. Ng”).

Pursuant to the Reorganisation, the Company became the holding company of the Group on 9 February 2017. The Group has been under the control of Dr. Ng throughout the Track Record Period or since their respective dates of incorporation up to 31 August 2016.

As the Reorganisation only involved inserting new holding company and has not resulted in any change of economic substances, the Financial Information for the Track Record Periods has been presented as a continuation of the existing company using the pooling of interests method as if the Reorganisation had been completed at the beginning of the Track Record Periods.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period including the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation up to 31 August 2016, whichever is a shorter period. The combined statements of financial position of the Group as at 31 August 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information of the Track Record Period, the Group has consistently adopted HKFRSs, the Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA which are effective for the Group’s financial year beginning on 1 September 2015 throughout the Track Record Period.

New and revised HKFRSs issued but not yet effective

At the date of this report, the HKICPA has issued the following new and revised HKFRSs, HKASs, amendments and Ints (hereinafter collectively referred to as “new and revised HKFRSs”) which are not yet effective.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments ³
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract ³
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ³

- ¹ Effective for annual periods beginning on or after 1 January 2016.
- ² Effective for annual periods beginning on or after 1 January 2017.
- ³ Effective for annual periods beginning on or after 1 January 2018.
- ⁴ Effective for annual periods beginning on or after 1 January 2019.
- ⁵ Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Group is in the process of assessing the potential impact on the financial performance resulting from the adoption of HKFRS 9. So far it has concluded that the adoption of HKFRS 9 may have an impact on the Group's results and financial position, including the measurement of financial assets. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with the expected loss impairment model for its exposure to credit risk. Until a detailed review of the impact of adopting HKFRS 9 is performed, it is not possible to ascertain an accurate quantified estimate to assess the significance of the likely impact on the financial statements.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's combined financial statements. The Group is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detailed review is performed by the Group. The impact to the Group is expected to include more comprehensive disclosure as requested by the new standard. In addition, contract that contains two or more performance obligations would be accounted for separately and this might have an impact on the pattern of revenue and profit recognition.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 "Leases", HK(IFRIC) – Int 4 "Determining whether an Arrangement contain a Lease", HK(SIC) – Int 15 "Operating Lease – Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 "Leases". Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognize assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed to the Financial Information. As set out in Note 30 to the Financial Information, total operating lease commitment of the Group in respect of car parks, office and warehouse as at 31 August 2015 and 2016 amounted to approximately HK\$1,569,000 and HK\$1,026,000. The directors of the Company do not expect the application of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the combined statements of financial position as right-of-use assets and lease liabilities.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effective will have material impact on the Group's financial performance and financial position for the future and/or the disclosure set out in the Group's Financial Information.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contains a list of specific requirements or describes them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company are in the process of assessing their impact on the Financial Information of these requirements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the adoption of Amendments to HKAS 7 in the future may have significant impact on presentation and additional disclosure of the Group's Combined statement of cash flows. However, it is not practicable to provide a reasonable estimate of the effect of Amendments to HKAS 7 until the Group performs a detailed review.

3. Significant Accounting Policies

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries) upon the reorganisation.

Control is achieved where the Company has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on combination.

Property, plant and equipment

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

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

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

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

Cash and cash equivalents

Cash in the combined statements of financial position comprise cash at banks. For the purpose of the combined statements of cash flows, cash and cash equivalents consist of bank balances as defined above.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business and net of discounts.

The Group's policy for recognition of revenue from installation services is described in the accounting policy headed "Construction contracts" below.

Maintenance service income is recognised when services are provided in accordance with HKAS 18, over the maintenance period by using the straight line method.

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amount due from a director, amounts due from related companies and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amounts due from related companies and amount due from a director, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables and amount due from a director are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade payables, accruals and other payables, secured bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Current and deferred tax are recognised in profit or loss.

Retirement benefits cost and termination benefits

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Fair value measurement

When measuring fair value except for the Group’s leasing transactions and value in use of property, plant and equipment for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Revenue recognition

The Company recognised contract revenue and profit of a service contract in relation to new project installation according to the management's estimation of the total outcome of the contract as well as the percentage of completion of service contract. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the service contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation based on the historical experience of the actual useful lives of the relevant assets of similar nature and function. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on the Group's future operating cash flows and discount rates adopted. As at 31 August 2015 and 2016, the directors of the Company considered that there is no impairment indication and the carrying values of property, plant and equipment are approximately HK\$7,492,000 and HK\$8,388,000 respectively. No impairment was recognised for the Track Record Period.

Impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 August 2015 and 2016, the carrying amounts of trade receivables was approximately HK\$12,787,000 and HK\$18,484,000 respectively. No impairment loss was recognised for the Track Record Period.

5. Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of bank borrowings, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure of the Group periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues as well as issue of debts.

6. Financial Instruments

(a) Categories of financial instruments

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Loans and receivables		
(including bank balances and cash)	28,659	26,415
Financial liabilities		
At amortised cost	19,554	22,222

(b) *Financial risk management objective and policies*

The Group's major financial instruments include trade receivables, deposits and other receivables, bank balances and cash, amounts due from related companies, amount due from a director, trade payables, accruals and other payables, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Groups maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 August 2015 and 2016 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, the management of the Company has delegated a team responsible for performing monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considers the credit risk attributable to the amount due from director and related companies to be insignificant as majority of the receivables are due from companies with good creditworthiness while credit risk attributable to amount due from a director to be insignificant as full settlement has been received subsequently.

As at 31 August 2015 and 2016, the Group has concentration of credit risk as 17% and 32% of the total trade receivables was due from the Group's largest customer while 33% and 51% of the total trade receivables was due from the Group's five largest customers respectively. The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% of the total trade receivables both as at 31 August 2015 and 2016.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate obligations under finance leases (see note 26). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances (see note 23), variable-rate bank borrowings (see note 25). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's HK\$ denominated bank balances, variable-rate bank borrowings. However, the directors of the Company monitor interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the Track Record Period were outstanding for the whole year. A 100 basis point increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower for the Track Record Period and all other variables were held constant, the Group's post-tax profit would increase/decrease by approximately HK\$34,000 and HK\$98,000 respectively for the year ended 31 August 2015 and 2016. This is mainly attributable to the Group's exposure to interest rates on its bank balances, variable-rate bank borrowings.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The directors of the Group are satisfied that the Group will be able to meet in full its financial obligations as and when fall due in the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	Within 1 year or on demand <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 31 August 2015					
<i>Non-derivative financial liabilities</i>					
Trade payables	5,797	–	–	5,797	5,797
Accruals and other payables	387	–	–	387	387
Bank borrowings	13,762	–	–	13,762	12,740
Obligations under finance leases	279	347	43	669	630
	<u>20,225</u>	<u>347</u>	<u>43</u>	<u>20,615</u>	<u>19,554</u>
At 31 August 2016					
<i>Non-derivative financial liabilities</i>					
Trade payables	3,427	–	–	3,427	3,427
Accruals and other payables	373	–	–	373	373
Bank borrowings	18,147	–	–	18,147	17,462
Obligations under finance leases	557	419	23	999	960
	<u>22,504</u>	<u>419</u>	<u>23</u>	<u>22,946</u>	<u>22,222</u>

The amounts included above for bank borrowings are term loans from banks with a requirement on demand clause. The maturity analysis of the term loans based on agreed scheduled repayments set out in the loan agreements is summarised as follows. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors of the Company believe that the terms loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments

	Within 1 year or on demand <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
As at 31 August 2015	3,002	2,280	5,334	10,616	10,394
As at 31 August 2016	2,280	1,946	3,388	7,614	7,008

(c) Fair values of financial instruments

The directors of the Company consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their corresponding carrying amounts due to short-term maturities or insignificant impact of discounting.

7. Revenue

Revenue represents the net amounts received and receivable for installation projects and maintenance services rendered for the years ended 31 August 2015 and 2016.

	Year ended 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Installation	30,262	49,146
Maintenance	25,804	31,192
	<u>56,066</u>	<u>80,338</u>

8. Segment Information

Segment revenues, results, assets and liabilities

The executive director 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 installation and maintenance services during the Track Record Period. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Company 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.

Geographical information

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:

	Year ended 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Hong Kong	7,492	8,388

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total sales of the Group is as follows:

	Year ended 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	11,401	14,936
Customer B	8,746	25,169
Customer C	7,116	N/A*

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

The Group's five largest customers accounted for approximately 61% and 70% of the Group's total revenue for each of the years ended 31 August 2015 and 2016, respectively.

9. Other Income

	Year ended 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on sale of listed equity investments	25	–
Gain on disposal of property, plant and equipment	100	39
Sundry income	<u>36</u>	<u>42</u>
	<u><u>161</u></u>	<u><u>81</u></u>

10. Finance Costs

	Year ended 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	476	389
Obligations under finance leases	<u>26</u>	<u>37</u>
	<u><u>502</u></u>	<u><u>426</u></u>

11. Income Tax Expenses

	Year ended 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	1,476	2,576
Deferred tax (<i>note 27</i>)	<u>46</u>	<u>61</u>
	<u><u>1,522</u></u>	<u><u>2,637</u></u>

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI during the Track Record Period.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit earned for the years ended 31 August 2015 and 2016.

The income tax expense for the year can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>9,087</u>	<u>12,880</u>
Tax calculated at the domestic tax rate of 16.5%	1,499	2,125
Tax effect of income not taxable for tax purpose	(1)	(1)
Tax effect of expenses not deductible for tax purpose	24	533
Tax effect of tax exemption (<i>note</i>)	<u>–</u>	<u>(20)</u>
Income tax expenses for the year	<u>1,522</u>	<u>2,637</u>

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2015/16 by 75%, subject to a ceiling of HK\$20,000.

12. Profit for the Year

Profit for the years has been arrived at after charging:

	Year ended 31 August	
	2015	2016
	HK\$'000	HK\$'000
Director's remuneration (<i>note 13</i>)		
– Salaries, allowances and other benefits	1,098	1,098
Other staff costs (excluding directors' emoluments)		
– salaries and other benefits	18,910	29,749
– contributions to retirement benefit scheme (<i>note 29</i>)	914	1,447
	<u>20,922</u>	<u>32,294</u>
Total staff costs	<u>20,922</u>	<u>32,294</u>
Auditor's remuneration	160	160
Depreciation	465	780
Listing expenses	–	2,664
Minimum lease payments under operating lease charges	225	801
	<u>225</u>	<u>801</u>

13. Director's and Chief Executive's Emoluments

The emoluments paid or payable to the director and the chief executive officer ("CEO") of the Company were as follows:

For the year ended 31 August 2015

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Contributions to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
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Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Executive director and CEO

Dr. Ng	-	1,080	18	1,098
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For the year ended 31 August 2016

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Contributions to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
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Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Executive director and CEO

Dr. Ng	-	1,080	18	1,098
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No director and CEO of the Company waived or agreed to waive any emoluments paid by the Group during the Track Record Period.

No emoluments were paid by the Group to any director and CEO of the Company as an inducement to join or as compensation for loss of office during the Track Record Period.

Mr. Law Wing Chong will be appointed as the Company's executive director on 3 October 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.

Mr. Hui Chun Ho Eric, Mr. Sung Wai Tak and Mr. Fung Tak Chung will be appointed as the Company's independent non-executive directors on 17 February 2017 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.

Ms. Wong Tsz Man will be appointed as the Company's non-executive director on 3 October 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 Track Record Period, except Dr. Ng, the directors had not yet been appointed and did not receive any remuneration.

14. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, one was the director of the Company for the both of the years ended 31 August 2015 and 2016, whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining four individuals for both of the years ended 31 August 2015 and 2016 were as follows:

	Year ended 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	1,333	1,621
Contributions to retirement benefits scheme	<u>62</u>	<u>70</u>
	<u><u>1,395</u></u>	<u><u>1,691</u></u>

The emolument of each of the above employees was also below HK\$1,000,000.

No emoluments were paid by the Group to any five highest paid individuals including director and CEO of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

15. Dividends

In August 2015 and 2016, interim dividend of approximately HK\$2,000,000 and HK\$12,300,000 were declared and paid by Ec Infotech to its then shareholder in August 2015 and 2016. The rates of dividends and the number of shares ranking for the above dividend are not presented as such information is not considered meaningful for the purpose of this report.

No dividend has been paid or declared by the Company since its date of incorporation.

16. Earnings per Share

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful with regard to the Reorganisation and due to the presentation of the statements of profit or loss and other comprehensive income of the Group for the Track Record Period is on a combined basis as disclosed in note 1.

17. Property, Plant and Equipment

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Office equipment, furniture and fixtures HK\$'000	Total HK\$'000
COST						
At 1 September 2014	7,142	-	762	25	46	7,975
Additions	-	-	796	61	76	933
At 31 August 2015 and 1 September 2015	7,142	-	1,558	86	122	8,908
Disposals	-	-	(762)	(3)	-	(765)
Additions	-	524	1,109	105	178	1,916
At 31 August 2016	7,142	524	1,905	188	300	10,059
ACCUMULATED DEPRECIATION						
At 1 September 2014	714	-	206	1	30	951
Provided for the year	143	-	302	8	12	465
At 31 August 2015 and 1 September 2015	857	-	508	9	42	1,416
Eliminated on disposals	-	-	(522)	(3)	-	(525)
Provided for the year	143	133	437	32	35	780
At 31 August 2016	1,000	133	423	38	77	1,671
CARRYING VALUES						
At 31 August 2015	6,285	-	1,050	77	80	7,492
At 31 August 2016	6,142	391	1,482	150	223	8,388

Property, plant and equipment are depreciated on a straight-line basis on the following basis:

Leasehold land and buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	33% or over the lease term, whichever is shorter
Motor vehicles	25% per annum
Computer equipment	20% per annum
Office equipment, furniture and fixtures	20% per annum

The carrying values of property, plant and equipment in respect of assets held under finance leases were as follows:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Motor vehicles	<u>894</u>	<u>1,039</u>

The carrying values of leasehold land and buildings were pledged to secure bank borrowing (note 25) were as follows:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and building	<u>6,285</u>	<u>6,142</u>

18. Trade Receivables

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>12,787</u>	<u>18,484</u>

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, presented based on the invoice date at the end of each reporting period:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	6,307	9,532
31 to 60 days	2,323	3,428
61 to 90 days	1,280	2,113
Over 90 days	<u>2,877</u>	<u>3,411</u>
	<u><u>12,787</u></u>	<u><u>18,484</u></u>

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions would apply to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances.

Trade receivables that were neither past due nor impaired related to customers that have no recent history of default payment.

The aged analysis of trade receivables which are past due but not impaired is set out below:

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	4,128	8,428
31 to 60 days	2,323	3,428
61 to 90 days	1,280	2,113
Over 90 days	<u>2,877</u>	<u>3,411</u>
	<u><u>10,608</u></u>	<u><u>17,380</u></u>

As at 31 August 2015 and 2016, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$10,608,000 and HK\$17,380,000 respectively which were past due at the end of each reporting period for which the Group has not provided for impairment loss.

The directors of the Group consider that there has not been a significant change in credit quality of the trade receivables and there is no recent history of default, therefore the amounts are considered recoverable.

19. Amounts Due from (to) Customers for Contract Work

	As at 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of each reporting period		
Contract costs incurred plus recognised profits less recognised losses	19,683	10,834
Less: progress billings	<u>(15,850)</u>	<u>(4,103)</u>
	<u><u>3,833</u></u>	<u><u>6,731</u></u>
Analysed for reporting purposes as:		
Gross amounts due from customers for contract work	4,230	7,041
Gross amounts due to customers for contract work	<u>(397)</u>	<u>(310)</u>
	<u><u>3,833</u></u>	<u><u>6,731</u></u>

20. Amounts Due from Related Companies

The details of amounts due from related companies are as follow:

	Note	At 31 August		Maximum amount outstanding During the year ended 31 August	
		2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Glory Asia Engineering Limited	(a)	3	7	3	7
Vfact Engineering Limited	(a)	-	13	-	13
Shining Junction Limited	(a)	-	14	-	14
		<u>3</u>	<u>34</u>	<u>3</u>	<u>34</u>

(a) Dr. Ng, the director of the Company, is the director of and has direct interest of the related companies during each of the years ended 31 August 2015 and 2016.

(b) The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

21. Amount Due from a Director

As at 31 August 2015 and 2016, the amount due from a director, is non-trade in nature, unsecured, interest-free and repayable on demand.

	At 31 August		Maximum amount outstanding During the year ended 31 August	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Ng	<u>6,569</u>	<u>1,612</u>	<u>10,612</u>	<u>16,536</u>

The Group does not hold any collateral over the amount due from a director.

22. Deposits, Prepayments and Other Receivables

	At 31 August	
	2015	2016
	HK\$'000	HK\$'000
Deposits	130	276
Prepayments	39	850
Other receivables	<u>477</u>	<u>256</u>
	<u>646</u>	<u>1,382</u>

23. Bank Balances and Cash

Bank balances carried interest at prevailing market rates which range from 0.0001% to 0.01% and 0.0002% to 0.01% per annum respectively for each of the years ended 31 August 2015 and 2016.

24. Trade Payables

	At 31 August	
	2015	2016
	HK\$'000	HK\$'000
Trade payables	<u>5,797</u>	<u>3,427</u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30-60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The following is the aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	3,156	1,745
31 to 60 days	331	593
61 to 90 days	24	122
Over 90 days	<u>2,286</u>	<u>967</u>
	<u><u>5,797</u></u>	<u><u>3,427</u></u>

25. Bank Borrowings

	At 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured	<u>12,740</u>	<u>17,462</u>
Carrying amount of bank borrowings repayable within one year*	2,346	10,454
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>10,394</u>	<u>7,008</u>
	<u><u>12,740</u></u>	<u><u>17,462</u></u>

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

At 31 August 2015 and 2016, secured bank loans carried interest at floating rates ranging from 2.01% to 5.37% and 2.15% to 4.25% per annum respectively.

The bank borrowings were denominated in HK\$ for the years ended 31 August 2015 and 2016.

The amounts of banking facilities and the utilisation at the end of each reporting period are set out as follows:

	At 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Facility amount	<u>18,990</u>	<u>22,500</u>
Utilised		
– Secured bank borrowings	<u>12,740</u>	<u>17,462</u>

As at 31 August 2015 and 2016, banking facilities were secured by land and building as set out in note 17 and personal guarantee provided by the Company's director, Dr. Ng.

26. Obligations under Finance Leases

	At 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purposes as:		
Current liabilities	258	525
Non-current liabilities	<u>372</u>	<u>435</u>
	<u>630</u>	<u>960</u>

The Group has leased certain of its motor vehicles under finance leases. The average lease term ranged from 3 to 4 years during the two years ended 31 August 2015 and 2016. The obligations under finance leases carried interest at fixed rates from 2.50% to 4.95% per annum during the Track Record Period.

	Minimum lease payments		Present value of	
	at 31 August		minimum lease payments	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	279	557	258	525
After one year but within two years	347	419	330	412
After two years but within five years	<u>43</u>	<u>23</u>	<u>42</u>	<u>23</u>
	669	999	630	960
Less: future finance charges	<u>(39)</u>	<u>(39)</u>	<u>-</u>	<u>-</u>
Present value of lease obligations	<u><u>630</u></u>	<u><u>960</u></u>	630	960
Less: Amounts due for settlement within one year (shown under current liabilities)			<u>(258)</u>	<u>(525)</u>
Amount due for settlement after one year			<u><u>372</u></u>	<u><u>435</u></u>

The obligations under finance leases of the Group are secured by the lessor's charge over the leased assets and denominated in HK\$.

27. Deferred Taxation

The movements in deferred taxation of the Group during the Track Record Period are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>
At 31 August 2014	1,055
Charge to statement of profit or loss (note 11)	<u>46</u>
At 31 August 2015	1,101
Charge to statement of profit or loss (note 11)	<u>61</u>
At 31 August 2016	<u><u>1,162</u></u>

28. Share Capital

The Reorganisation has not completed as at 31 August 2016. For the purpose of Financial Information, the combined share capital in the combined statements of financial position as at 31 August 2015 and 2016 represented the share capital of Ec Infotech.

29. Retirement Benefits Plans

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees and subject to a cap of HK\$1,500 per employee.

During each of the years ended 31 August 2015 and 2016, the total expense recognised in the combined statements of profit or loss and other comprehensive income is approximately HK\$932,000 and HK\$1,465,000 respectively, which represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

30. Operating Lease Commitment***The Group as lessee***

The Group leases car parks, office and warehouse under operating lease arrangement. Lease is negotiated for an original term of one to three years. At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	564	515
In the second to fifth years inclusive	<u>1,005</u>	<u>511</u>
	<u><u>1,569</u></u>	<u><u>1,026</u></u>

31. Pledge of assets

At the end of the reporting period, the Group had pledged the following assets to banks to secure the banking facilities granted to the Group:

	At 31 August	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and building	<u><u>6,285</u></u>	<u><u>6,142</u></u>

32. Related party transactions

Save as disclosed in the Financial Information, during the Track Record Period, the Group entered into transactions with related parties as follows:

(a) Balances with related parties

Balances with related parties as at 31 August 2015 and 2016 were disclosed in note 20 and note 21.

(b) Compensation of key management personnel

The remuneration of members of key management personnel including director of the Company during the Track Record Period were as follows:

	Year ended 31 August	
	2015	2016
	HK\$'000	HK\$'000
Short-term benefits	1,080	1,080
Contributions to retirement benefits scheme	<u>18</u>	<u>18</u>
	<u><u>1,098</u></u>	<u><u>1,098</u></u>

(c) Banking facilities

The director of the Company has provided personal guarantee for the grant of banking facilities to the Group as disclosed in note 25.

33. Financial Information of the Company

As at 31 August 2016, the Company was not incorporated and, accordingly, it had no assets, liabilities or distributable reserves as at that date. The Company was incorporated on 3 October 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

34. Major Non-cash Transactions

- (a) During the years ended 31 August 2015 and 2016, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of approximately HK\$608,000 and HK\$731,000 respectively.
- (b) As mentioned in note 15, the directors of the Group declared an interim dividend of HK\$2,000,000 and HK\$12,300,000 respectively on 31 August 2015 and 2016 to its then shareholder. Such amount was fully settled through the amount due from a director.

B. EVENTS AFTER THE REPORTING PERIOD

The following significant event took place subsequent to 31 August 2016:

(a) Reorganisation

The Company was incorporated on 3 October 2016 and the companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the GEM Board of the Stock Exchange. Details of the Reorganisation are set out in the section headed "History and Development" of the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 9 February 2017.

(b) Share option scheme

Pursuant to the written resolution of the sole shareholder of the Company passed on 17 February 2017, the Company has conditionally adopted a share option scheme, details of which are set out in the section headed "D. Share Option Scheme" in Appendix V to the Prospectus.

(c) Capitalisation issue

Pursuant to the written resolution of the sole shareholder of the Company passed on 17 February 2017, the Company has conditionally approved the issue of shares pursuant to capitalisation issue. Details of which are set out in the section headed "Share capital – Capitalisation issue" to the Prospectus.

C. SUBSEQUENT FINANCIAL STATEMENTS

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 August 2016 and up to the date of this report.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

The information set out in this appendix does not form part of the Accountants' Report prepared by the reporting accountant of the Company, SHINEWING (HK) CPA Limited, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Company and its subsidiaries, (hereinafter collectively referred to as the "Group") (the "Unaudited Pro Forma Net Tangible Assets") prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2016 as if the Share Offer had taken place on 31 August 2016.

This Unaudited Pro Forma Net Tangible Assets 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 August 2016 or at any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of the Group as at 31 August 2016 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2016 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Share Offer HK\$'000	Unaudited pro forma adjusted combined net tangible assets per Share as at 31 August 2016 HK\$ (Note 3)
Based on the Offer Price of HK\$0.13 per Offer Share	<u>15,564</u>	<u>28,464</u>	<u>44,028</u>	<u>0.028</u>
Based on the Offer Price of HK\$0.17 per Offer Share	<u>15,564</u>	<u>39,864</u>	<u>55,428</u>	<u>0.035</u>

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as at 31 August 2016 has been extracted from the Accountants' Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds of the Share Offer to be received by our Company are based on 300,000,000 Offer Shares and the respective Offer Price of HK\$0.13 or HK\$0.17 per Offer Share (being the low end and the high end of indicators price range of the Offer Shares) in aggregate of approximately HK\$28,464,000 or HK\$39,864,000 respectively, after deduction of the underwriting commission and other related expenses payable by the Company in relation to the Share Offer.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 1,600,000,000 shares in issue (including Shares in issue as at the date of this prospectus and those Shares expected to be issued pursuant to the Share Offer and the Capitalisation Issue but not taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme).
- (4) No adjustments have been made to the Unaudited Pro Forma Net Tangible Assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2016.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

27 February 2017

The Board of Directors
ECI Technology Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of ECI Technology Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net tangible assets as at 31 August 2016 and related notes as set out on pages II-1 to II-2 of the prospectus dated 27 February 2017 (the “Prospectus”) in connection with the proposed share offer (the “Share Offer”) of 400,000,000 shares of HK\$0.01 each of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in notes to the unaudited pro forma financial information.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Group’s financial position as at 31 August 2016 as if the Share Offer had taken place at 31 August 2016. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s financial statements as at 31 August 2016, on which an accountants’ report has been published and included in the Prospectus.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM 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 plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of the Share Offer on unadjusted financial information of the Group as if the Share Offer had been completed at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 August 2016 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 of the Company 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 unaudited 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 Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2017 of the property interest held by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

27 February 2017

The Board of Directors

ECI Technology Holdings Limited

Factory D on 3/F of Block II of
Camelpaint Buildings,
Block I and Block II,
No. 62 Hoi Yuen Road,
Kowloon,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interest held by ECI Technology Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 January 2017 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interest by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

In valuing the property interest of the Group in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken into account the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People’s Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

We have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 4 July 2016 by Mr. Isaac Yip and Ms. Bavis Tam. Mr. Isaac Yip (MSc) has 10 years' experience in the valuation of properties in Hong Kong and Ms. Bavis Tam is a probationer of HKIS.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HKD).

Our valuation certificate is hereby enclosed for your attention.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held for occupation by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value
			in existing state as at 31 January 2017 HKD
Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No. 62 Hoi Yuen Road, Kowloon	<p>The property comprises an industrial unit on 3/F of a 14-storey industrial building completed in 1981.</p> <p>The property has a saleable area of approximately 2,665 sq.ft. (or 247.58 sq.m.).</p>	The property is currently occupied by the Group for workshop, storage and ancillary office purposes.	15,000,000
28/5883th shares of and in Kun Tong Inland Lot No. 72	The property is held under Government Lease for a term of 21 years and renewable for 21 years commencing from 1 July 1955 and statutorily renewed until 30 June 2047 at nil premium but subject to a payment of an annual Government Rent of 3% of the rateable value for the time being of the property.		

Notes:

1. The property is situated on the south-eastern side of Hoi Yuen Road close to the junction with Hing Yip Street. The locality is characterized by middle to high-rise industrial buildings and commercial buildings of various ages.
2. The registered owner of the property is Ec InfoTech Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 10091401450191 dated 25 August 2010.
3. According to the Approved Kwun Tong (South) Outline Zoning Plan No. S/K14S/20 dated 21 August 2015, the site of the property is zoned as Other Specified Uses (Business).
4. Pursuant to the land search record, the property is subject to, *inter alia*, the following encumbrances:
 - a. Occupation Permit No. NK38/81 vide Memorial No. UB2117839 dated 29 May 1981.
 - b. Deed of Mutual Covenant (Re: Blocks I & II of 3314/5883 shares) vide Memorial Nos. UB2117841 and UB4732821 both dated 15 June 1981.
 - c. Mortgage to secure all moneys in respect of general banking facilities in favour of DBS Bank (Hong Kong) Limited vide Memorial No. 13040901190089 dated 26 March 2013.

5. Our valuation has been made on the following basis and analysis:
- a. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristics as the subject property. The unit price of these comparables range from HKD5,026/sq.ft. to HKD5,880/sq.ft. on saleable area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of HKD5,629/sq.ft. on saleable area basis for the subject property; and
 - b. The unit rate of the property is in line with the unit rate of these comparables within a reasonable range.

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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 October 2016 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 17 February 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors**(i) *Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (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 shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) *Alterations to the constitutional documents and the Company's name*

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) *Meetings of member*

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 3 October 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect 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 that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 8 November 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 for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

- (a) Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 3 October 2016 with its registered office situated at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) Our Company has established its principal place of business in Hong Kong at Flat D, 3/F, Block 2, Camel Paint Building, 62 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong and has registered with the Registrar of Companies in Hong Kong as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 31 October 2016. Dr. Ng has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.
- (c) As our Company was incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and its constitution documents comprising the Memorandum and Articles. A summary of certain provisions of the Memorandum and Articles and certain aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands on 3 October 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each.
- (b) On 3 October 2016, one subscriber Share was transferred to ECI Asia.
- (c) Pursuant to the Share Swap Agreement, Dr. Ng as vendor had transferred the entire issued share capital of EC Infotech to ECI International. The consideration was settled by ECI International instructing our Company to allot and issue one Share, credited as fully paid, to ECI Asia, and the one nil-paid Share held by ECI Asia was credited as fully paid at par. For further details, please refer to the section headed “History, Reorganisation and corporate structure – Reorganisation”.

- (d) On 17 February 2017, the authorised share capital of our Company had been increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$38,000,000 divided into 3,800,000,000 Shares of par value HK\$0.01 each by the creation of additional 3,762,000,000 new Shares of par value HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions.
- (e) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of approximately HK\$12,999,998.98 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,299,999,998 Shares for allotment and issue to the person(s) whose names appear on the register of members or the principal share register of our Company at the close of business on 17 February 2017 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then Shares in issue, and our Directors were authorised to give effect to such capitalisation and allotment.
- (f) ECI Asia will offer 100,000,000 Sale Shares for purchase at the Offer Price under the Share Offer.
- (g) Upon the Share Offer becoming unconditional, the Company will issue and allot 300,000,000 New Shares ranking *pari passu* in all respects with the Shares credited as fully paid under the Share Offer.
- (h) Save as disclosed above, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our then sole Shareholder passed on 17 February 2017

Pursuant to the written resolutions of our then sole Shareholder passed on 17 February 2017:

- (a) our Company approved and adopted the Memorandum and Articles;
- (b) our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$38,000,000 divided into 3,800,000,000 Shares of par value HK\$0.01 each by the creation of additional 3,762,000,000 new Shares of par value HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and our Shares to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); (ii) the entering into the Price Determination Agreement between our Company (for itself and on behalf of ECI Asia) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Share Offer;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed “1. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme; and

- (d) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of approximately HK\$12,999,999.98 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,299,999,998 Shares for allotment and issue to the person(s) whose names appear on the register of members or the principal share register of our Company at the close of business on 17 February 2017 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then Shares in issue, and our Directors were authorised to give effect to such capitalisation and allotment;
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in a general meeting, unissued Shares with a total nominal value not exceeding 20.0% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (but taking no 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), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved 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 10.0% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (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), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally 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 repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparing for the Listing. For information relating to the Reorganisation, please refer to the section headed “History, Reorganisation and corporate structure” of this prospectus.

5. Changes in the share capital of the subsidiaries of our Company

Our subsidiaries of our Company are referred to in the Accountants’ Report as set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report and in the section headed “History, Reorganisation and corporate structure” in this prospectus, our Company has no other subsidiaries.

Save as disclosed in the section headed “History, Reorganisation and corporate structure” in this prospectus, there has been no other alteration in the share capital of any subsidiaries of our Company within two years immediately preceding the date of this prospectus.

6. Repurchases by our Company of its own securities

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM 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 repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing of our then sole shareholder passed on 17 February 2017, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising the repurchase of shares by our Company 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, with an aggregate nominal value not exceeding 10.0% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

The repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Articles, the Companies Law and the applicable laws of the Cayman Islands. Our Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Company may make repurchases out of the profit of our Company, out of the share premium of our Company or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase, or if so authorised by the Articles and subject to the Companies Law, out of capital. Any amount of premium payable on the repurchase over the par value of the Shares to be repurchased must be out of either or both the profits of our Company or out of our Company's share premium account, before or at the time the Shares are repurchased, or if authorised by the Articles and subject to the Companies Law, out of capital.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have general authority from its Shareholders to enable our Company to repurchase Shares on the Stock Exchange. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchases by our Company will be made out of profits of our Company, out of the share premium account of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital, and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or our Company's share premium account, before or at the time the Shares are repurchased or, subject to the Companies Law, out of capital.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 1,600,000,000 Shares in issue immediately after the listing of our Shares (but not taking into account our Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), could accordingly result in up to 160,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules, the Companies Law and other applicable laws of the Cayman Islands.

The GEM Listing Rules prohibit our Company from knowingly repurchasing securities of our Company from a “core connected person”, that is, a Director, chief executive or substantial Shareholder of our Company or any of its subsidiaries or any of their respective close associates. A core connected person shall not knowingly sell his shares to our Company on the Stock Exchange.

No core connected person (as defined in the GEM Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of any securities repurchased pursuant to the Buyback Mandate, a shareholder’s proportionate interest in the voting rights of our Company increases, 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, depending on the level of increase of the shareholder’s interest, 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 as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account our Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 160,000,000 Shares, being 10.0% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of ECI Asia and Dr. Ng in aggregate will be increased to approximately 83.3% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the requirements regarding the public float under Rule 11.23 of the GEM Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the GEM Listing Rules.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Share Swap Agreement;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) Public Offer Underwriting Agreement.

2. Intellectual property rights

Domain name

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Owner	Date of registration	Expiry date
ecinfohk.com	EC Infotech	18 September 2003	18 September 2019

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests – interests and 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

Immediately following completion of the Capitalisation Issue and the Share Offer and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors once our Shares are listed will be as follows:

Long position in our Shares:

Name of Director	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of shareholding (%)
Dr. Ng	Interest of a controlled corporation (Note 2)	1,200,000,000 (L)	75%
Ms. Wong Tsz Man	Family (Note 3)	1,200,000,000 (L)	75%

Notes:

1. The letter “L” denotes the person’s long position in our Shares.
2. These Shares are held by ECI Asia, which is wholly-owned by Dr. Ng. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Dr. Ng is deemed to have an interest in all Shares in which ECI Asia has, or deemed to have, an interest.
3. Ms. Wong Tsz Man is the spouse of Dr. Ng. Under the SFO, Ms. Wong Tsz Man is deemed to be interested in all of the Shares which Dr. Ng is interested.

(b) *Interests of the substantial Shareholders in the Shares and underlying Shares of our Company*

For information about the substantial shareholders and significant shareholders of our Company, please refer to the section headed “Substantial and significant Shareholders” in this prospectus.

2. Particulars of service agreements

Each of the Executive Directors and non-executive Directors will enter into a service contract with our Company for an initial term of three (3) years, commencing from the Listing Date, which shall be renewed as determined by the Board or the Shareholders of our Company. The appointment of the Executive Directors may be terminated by either party by giving at least three (3) months’ written notice to the other.

Each of the independent non-executive Directors will enter into a letter of appointment with our Company for an initial term of three (3) years, commencing from the Listing Date, which shall be renewed as determined by the Board or the Shareholders of our Company. The appointment of each of the independent non-executive Directors may be terminated by either party by giving at least one (1) month’s written notice to the other.

Save as disclosed above, none of the Directors has or is proposed to have a service agreement with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

3. Directors' remuneration

Save as disclosed in the sub-section headed "Remuneration policy" under the section headed "Directors and senior management" in this prospectus and the Accountants' Report set out in Appendix I in this prospectus, none of our directors has received any remuneration, bonus or other benefit from our Group during the Track Record Period.

4. Agency fees or commissions received

Except as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any of our Company or the subsidiaries of our Company's share or loan capital.

Information on the agency fees or commissions received by the Underwriters is set out in the section headed "Underwriting" in this prospectus.

5. Disclaimers

Except as disclosed in this prospectus,

- (i) none of our directors nor chief executive of our Company has any interest in the Shares, the underlying shares or debentures of our Company or any of its associated corporation, listed or unlisted derivatives of or debentures or any of our Company's associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, in each case, once the Shares are listed;
- (ii) none of our directors nor any of the experts whose names are referred to in the paragraph headed "Consents of experts" in this Appendix is interested, directly or indirectly, in the promotion of our Company or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (iii) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our directors and our Company;
- (iv) none of our directors or the experts named in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, our Company, or are proposed to be acquired or disposed of by or leased to our Company;
- (v) none of our directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of our Company taken as a whole;
- (vi) our directors are not aware of any person who immediately following the completion of the Share Offer will have an interest or a short position in the Shares or 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 will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company; and
- (vii) none of the experts named in the paragraph headed “Consents of experts” in this Appendix has any shareholding in our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or is an officer or servant or in employment of an officer or servant of our Company.

D. OTHER INFORMATION

1. Share option scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of our sole Shareholder passed on 17 February 2017.

(a) *Purpose*

The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to any person belonging to any of the following classes of participants, to take up options to subscribe for the Shares:

- (i) any full-time or part-time employees, executives or officers of our Group;
- (ii) any directors (including Executive Directors, non-executive Directors and independent non-executive Directors) of our Group; and
- (iii) any suppliers, customers, consultants, agents, advisers and related entities to our Group.

(c) Maximum number of Shares

- (i) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 30% of our Company's issued share capital from time to time. No options may be granted under any schemes of our Company or the subsidiary if such grant will result in the maximum number being exceeded.
- (ii) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange which amounts to 160,000,000 Shares (the "**General Mandate Limit**").
- (iii) The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of options.

- (iv) Subject to (a) above and without prejudice to (d), our Company may issue a circular to the Shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek approval of the Shareholders in general meeting to refresh the General Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.
- (v) Subject to (a) above and without prejudice to (c) above, our Company may issue a circular to the Shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek separate shareholders' approval in general meeting to grant options beyond the General Mandate Limit or, if applicable, the limit referred to in (c) above to participants specifically identified by our Company before such approval is sought.

(d) *Maximum entitlement of each participant and connected persons*

- (i) Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue (the “**Individual Limit**”).

- (ii) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders in compliance with the Note to Rule 23.03(4) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and the approval of the Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 23.03(9) of the GEM Listing Rules.
- (iii) In addition to the Shareholders' approval set out in Note (1) to Rule 23.03(3) and Note to Rule 23.03(4) of the GEM Listing Rules, each grant of options to a Director, chief executive of our Company or substantial Shareholder 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 options).
- (iv) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other share option schemes of our Company to such person in the 12-month period up to and including the date of such grant:
1. representing in aggregate more than 0.1% of the Shares in issue; and
 2. 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 must be approved by the Shareholders. Our Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

(e) *Subscription Price of Shares*

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) *Minimum period of holding an option and performance target*

The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

Rights are personal to grantee

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

(g) *Time of acceptance of option*

An option may be accepted by a participant within 30 days from the date of the offer of grant of the option with a payment of HK\$1.00 to our Company by way of consideration to the grant.

(h) *Rights on ceasing employment or death*

If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Group for any reason other than death, ill-health, injury, disability or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine, in which case the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such

cessation or termination, which date shall be the last day on which the grantee was actually at work with our Group, whether salary is paid in lieu of notice or not. Failing such exercise, the option will lapse. If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Company by reason of death, ill-health, injury, disability or retirement in accordance with his contract of employment, before exercising the option in full, the grantee or, if appropriate his lawful personal representative(s) may exercise the option in whole or in part (to the extent not already exercised) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group, whether salary is paid in lieu of notice or not (or such longer period as the Directors may determine), failing which it will lapse.

(i) *Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the option holders (or his personal representative(s)) on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional or such scheme or arrangement is formally proposed to the Shareholders, a grantee (or his personal representative(s)) shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in accordance with the provisions of the Share Option Scheme at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

If a general offer is made to all the Shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(j) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all option holders and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(k) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Memorandum of Association and the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) *Period of the Share Option Scheme*

Unless terminated by our Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional.

(m) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by a resolution of the Board except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes which automatically take effect under the existing terms of the Share Option Scheme) and the matters contained in the relevant provisions of the GEM Listing Rules shall not be altered to the advantage of the

option holders or prospective option holders without the prior sanction of any resolution of our Company in general meeting. The amended terms of the Share Option Scheme or the options must still comply with the applicable requirements under the GEM Listing Rules. Any change to the authority of the Directors or scheme administrators (if applicable) in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(n) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital or otherwise howsoever, then, in any such case, our Company shall instruct the auditors for the time being or an independent financial adviser to our Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular grantee, to (a) the number of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised), and/or (b) the subscription price of any unexercised option, and/or (c) the maximum number of Shares referred to in the sub-paragraph headed “Maximum number of Shares” above, and an adjustment as so certified by the auditors or the independent financial adviser to our Company shall be made, provided that (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of our Company for which any grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment; (iv) the issue of Shares or securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and (v) for the avoidance of doubt, any adjustments shall be made in compliance with the GEM Listing Rules and the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rules 23.03(13) and the note immediately after the rule” (the “**Supplementary Guidance**”) set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 or other relevant guidance as the Stock Exchange may from time to time issue. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser as the case may be, shall confirm to the Board in writing that the adjustments satisfy the requirements set out in Rule 23.03(13) of the GEM Listing Rules and the notes thereto and the Supplementary Guidance and/or such other requirement prescribed under the GEM Listing Rules from time to time.

(o) Cancellation of options

The Directors may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as the Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancellation. Where our Company cancels any options granted and offer to grant or grant new options to the same grantee, the offer or grant of such new options may only be made under the Share Option Scheme if there are available unissued options (excluding the cancelled options) within each of the limits as referred of in the sub-paragraph headed “Maximum Number of Shares” above.

(p) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(q) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Share Option Scheme being approved and adopted by the Shareholders in a general meeting;
- (ii) the granting of the approval by the Stock Exchange for the listing of, and permission to deal in, the Shares on GEM being obtained and the commencement of dealings in the Shares on GEM; and
- (iii) the Listing Division granting the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

(r) *Status of the GEM Listing Rules*

The Share Option Scheme shall comply with the GEM Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the GEM Listing Rules, the GEM Listing Rules shall prevail.

(s) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme, as described above.

2. Tax and other indemnity

Our Controlling Shareholders (together, the “**Indemnifiers**”) have entered into the Deed of Indemnity in favour of our Company (for ourselves and for the benefit of our subsidiaries), pursuant to which the Indemnifiers jointly and severally indemnify each of the members of our Group against any taxation falling on any members of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the Listing Date, or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date, whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date, and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Indemnifiers have also, under the Deed of Indemnity, agreed and undertaken to each of the members of our Group, on a joint and several basis, that it shall indemnify and, at all times, keep each of the member of our Group indemnified on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, payments, suits, and expenses of whatever nature associated, incurred or suffered by our Company or any of the members of our Group, directly or indirectly, in connection with:

- (a) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual or tortious nature, or otherwise instituted by or against our Company and/or any of the members of our Group, which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of our Company or any of the members of our Group on or before the Listing Date;

- (b) any irregularities in relation to the corporate documents of any of the members of our Group;
- (c) any non-compliance with the applicable laws, rules or regulations by our Company and/or any of the members of our Group on or before the Listing Date, except that specific provision, reserve or allowance has been made for such liabilities in the audited consolidated accounts of our Company for the Track Record Period;
- (d) the settlement of any claim under the Deed of Indemnity;
- (e) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any members of our Group since the date of incorporation of each of the member of our Group and up to the Listing Date for any losses or liabilities payable by our Company;
- (f) any legal proceedings in which any of the members of our Group claims under or in respect of the Deed of Indemnity and in which judgement is given for any of the members of our Group; and
- (g) the enforcement of any such settlement or judgement abovementioned.

3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sponsor

Kingsway Capital Limited has made an application on our behalf to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, all our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

The Sponsor's fees are HK\$4.3 million and are payable by the Selling Shareholder and our Company.

5. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately HK\$43,000.

6. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would likely fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares so long as our Company does not hold any interest in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualifications
Kingsway Capital Limited	A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Appleby	Legal advisers to the Company as to Cayman Islands law
SHINEWING (HK) CPA Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Frost & Sullivan International Limited	Industry Expert
Mr. Poon Chi Kin Billy	Hong Kong barrister-at-law
Baker Tilly Hong Kong Risk Assurance Limited	Internal control advisers

9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. 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 penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Registration procedures

The principal share register of our Company will be maintained in the Cayman Islands by Eterra Trust (Cayman) Limited and the Hong Kong branch share register of our Company will be maintained in Hong Kong by Tricor Investors Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by our Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands.

13. No material adverse change

Our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in financial or trading position or prospects of our Group since 31 August 2016, being the date on which the latest financial information of our Group was reported in the Accountants' Report included in Appendix I to this prospectus.

14. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (d) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (e) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

15. Particulars of the Selling Shareholder

The particulars of ECI Asia are set out below:

Name: ECI Asia Investment Limited

Address: P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

Nature: A corporation

16. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the WHITE, YELLOW and GREEN Application Forms, copies of the written consents as referred to in the paragraph headed “8. Qualification of experts” under the section headed “D. Other Information” in Appendix V to this prospectus, copies of the material contracts as referred to in the paragraph headed “1. Summary of material contracts” under section headed “B. Further information about the Business of our Group” in Appendix V to this prospectus, and the statement of name, description and address of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Kwok Yih & Chan at Suites 2103-05, 21st Floor, 9 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:

1. the Memorandum of Association and the Articles of Association;
2. the Accountants’ Report from SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus and the audited statutory financial statements of the Company comprising our Group for the financial years ended 31 August 2015 and 31 August 2016;
3. the report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
4. the valuation report as set out in Appendix III to this prospectus;
5. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;
6. the legal opinion as to certain aspects of Hong Kong law issued by Mr. Poon;
7. the Companies Law;
8. the rules of the Share Option Scheme;
9. the material contracts as referred to in the paragraph headed “1. Summary of material contracts” under the section headed “B. Further Information about the Business of Our Group” in Appendix V to this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
 COMPANIES AND AVAILABLE FOR INSPECTION**

10. the service agreements and letters of appointment as referred to in the paragraph headed “2. Particulars of service agreements” under the section headed “C. Further Information about Directors, Management, Staff and Substantial Shareholders” in Appendix V to this prospectus;
11. the written consents as referred to in the paragraph headed “8. Qualifications of experts” under the section headed “D. Other Information” in Appendix V to this prospectus;
12. F&S Report;
13. the statement of name, description and address of the Selling Shareholder; and
14. the internal control assurance letter prepared by Baker Tilly.

