

# WINDMILL Group Limited

## 海鑫集團有限公司

(Incorporated in the Cayman Islands with limited liability)

**Stock Code : 8409**

# SHARE OFFER

Sole Sponsor



Financial Adviser



Joint Bookrunners and Joint Lead Managers



## IMPORTANT

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

# WINDMILL Group Limited

## 海鑫集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

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

Number of Offer Shares	: 200,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$0.4 per Offer Share and expected to be not less than HK\$0.2 per Offer Share, plus brokerage 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	: 8409

#### Sole Sponsor



#### Financial Adviser



#### Joint Bookrunners and Joint Lead Managers



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

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

The Offer Price is currently expected to be fixed by an agreement between our Company and the Joint Bookrunners on the Price Determination Date, which is scheduled on or about 7 April 2017, or such later date as may be agreed between our Company and the Joint Bookrunners. If the Joint Bookrunners and our Company are unable to reach an agreement on the Offer Price on 7 April 2017 (or such later time and/or date as agreed by our Company and the Joint Bookrunners), the Share Offer will not become unconditional and will lapse immediately.

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable US state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

Prospective investors of the Share Offer should note that the Joint Bookrunners are entitled to terminate their obligations under the Public Offer Underwriting Agreement by notice in writing to our Company given by the Joint Bookrunners upon the occurrence of any of the events set out under "Underwriting — Public Offer underwriting arrangements and expenses — Grounds for Termination" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Bookrunners terminate its obligations under the Public Offer Underwriting Agreement in accordance with the terms of the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse.

31 March 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.*

## EXPECTED TIMETABLE<sup>(1)</sup>

2017<sup>(1)</sup>

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> <sup>(2)</sup> .....	11:30 a.m. on Friday, 7 April
Application lists of the Public Offer open <sup>(3)</sup> .....	11:45 a.m. on Friday, 7 April
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms and to give electronic application instructions to HKSCC <sup>(4)</sup> .....	12:00 noon on Friday, 7 April
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s) .....	12:00 noon on Friday, 7 April
Application lists of the Public Offer close <sup>(3)</sup> .....	12:00 noon on Friday, 7 April
Expected Price Determination Date <sup>(5)</sup> .....	Friday, 7 April
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer, the basis of allocation of the Public Offer Shares to be published on the website of our Company at <a href="http://www.windmill.hk">www.windmill.hk</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before .....	Thursday, 13 April
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see the sub-section headed "How to Apply for Public Offer Shares — 11. Publication of Results" in this prospectus) from .....	Thursday, 13 April
Results of allocations in the Public Offer will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a "search by ID" function from .....	Thursday, 13 April
Despatch/Collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before <sup>(5)(6)(7)</sup> .....	Thursday, 13 April
Despatch/Collection of the <b>HK eIPO White Form</b> e-Auto Refund payment instructions and refund cheques in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before <sup>(5)(7)(8)</sup> .....	Thursday, 13 April
Dealings in Shares on the Stock Exchange expected to commence on .....	Tuesday, 18 April

## EXPECTED TIMETABLE<sup>(1)</sup>

*Notes:*

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. 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 prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 7 April 2017, the application lists will not open on that day. For further information please refer to the subsection headed “How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the subsection headed “How to Apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is scheduled on Friday, 7 April 2017 (or such later date as agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters)). If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse.
6. Share certificates for the Offer Shares are expected to be issued on or before Thursday, 13 April 2017 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.
7. Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Branch 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, 13 April 2017. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 Public Offer Shares under the Public Offer may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection on the date of despatch of refund cheque as described in the subsection headed “How to apply for Public Offer Shares — 14. Despatch/Collection of share certificates and refund monies” in this prospectus.

## EXPECTED TIMETABLE<sup>(1)</sup>

8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account may have e-Auto Refund payment instructions (if any) despatched to their application payment bank account on Thursday, 13 April 2017. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts may have refund cheque(s) despatched to the address specified in their application instructions through the **HK eIPO White Form** service, on or before Thursday, 13 April 2017, by ordinary post and at their own risk.

Investors may obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of receiving bank and the designated offices of the Sole Sponsor as set out in “How to apply for Public Offer Shares”.

An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of our Company at [www.windmill.hk](http://www.windmill.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the section headed “HKExnews > Listed Company Information > Latest Listed Company Information”.

Distribution of this prospectus in any jurisdiction other than Hong Kong may be restricted by law.

Persons into whose possession this prospectus come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

For details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Public Offer Shares, you should read “Structure and Conditions of the Share Offer” and “How to apply for Public Offer Shares”, respectively.

If the Public Offer does not become unconditional or is terminated in accordance with its terms, the Public Offer will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer 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 Hong Kong.*

*You should rely only on the information contained in this prospectus to make your investment decision.*

*Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer.*

*The contents of our Company's website at [www.windmill.hk](http://www.windmill.hk) do not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, 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 herein are defined in the sections headed “Definitions” and “Glossary” in this prospectus.*

### BUSINESS OVERVIEW

We are a registered fire service installation contractor, qualified to undertake works in respect of the installation, maintenance, repairs or inspection of fire safety systems in Hong Kong. According to the CIC Report, we ranked the ninth among the registered fire service installation contractors in Hong Kong in terms of revenue attributable to provision of fire safety services for the year 2015, with a market share of 1.4%.

Fire safety systems mainly consist of fire alarm systems, water and gas expression systems, fire hydrant and hose reel systems, emergency lighting systems and portable fire equipment. Our services mainly include (i) design, supply and installation of fire safety systems for buildings under construction or re-development (referred to as “installation services” or “installation projects”); and (ii) maintenance and repair of fire safety systems for built premises (referred to as “maintenance services” or “maintenance projects”).

The table below sets out the breakdown of our revenue and gross profit margin by business segments for the periods indicated:

	Year ended 30 April						Five months ended 30 September					
	2015		Gross profit margin %	2016		Gross profit margin %	2015		Gross profit margin %	2016		Gross profit margin %
	Revenue HK\$'000	% of total revenue		Revenue HK\$'000	% of total revenue		Revenue HK\$'000 (Unaudited)	% of total revenue		Revenue HK\$'000	% of total revenue	
Installation services	56,878	71.2	14.2	91,542	73.8	16.2	25,496	82.9	12.4	30,279	82.5	18.5
Maintenance services	21,795	27.3	13.4	31,455	25.4	14.7	4,398	14.3	15.7	6,314	17.2	12.2
Others (Note)	1,209	1.5	22.1	992	0.8	18.2	871	2.8	31.2	106	0.3	35.8
Total:	<u>79,882</u>	<u>100.0</u>	14.1	<u>123,989</u>	<u>100.0</u>	15.8	<u>30,765</u>	<u>100.0</u>	13.4	<u>36,699</u>	<u>100.0</u>	17.5

Note: “Others” refer to the trading of fire service equipment including branded fire services equipment under a distributorship agreement with an internationally branded fire service equipment supplier.

According to the CIC Report, there were 335 fire service installation contractors (either in Class 1 and/or Class 2 under the Fire Service (Installation Contractors) Regulations) in Hong Kong as of 1 December 2016, and the fire safety market in terms of revenue is relatively fragmented as a large portion of market participants are small to medium sized companies. Revenue generated by the top ten market players in 2015 accounted for a total market share of 24.2%, whereas revenue generated by the largest market player in 2015 accounted for a market share of 3.5%.

Also according to the CIC Report, the market size of the fire safety service industry increased from HK\$3,529.7 million in 2010 to HK\$8,803.2 million in 2015, representing a CAGR of 20.1%, and it is expected that the market size will continue to grow at the CAGR of 11.9% during the period from 2015 to 2020 and would reach HK\$15,423.7 million in 2020.

## SUMMARY

With over 30 years operating history, we have developed substantial expertise in the fire safety service industry. In 1994, we were proved to be capable of handling large-scale and various types of fire safety service projects, and were included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works administered by the Works Branch of the Development Bureau as an approved specialist contractor for Fire Service Installations (Group II) undertaking relevant works at an unlimited contract sum. In 2002, we also became an approved fire service contractor (with “Confirmed” Status) of the Housing Authority.

We maintain a diversified customer portfolio in both public and private sectors which includes well-established main contractors, Government departments and Government-related organisations whereby we install or maintain the fire safety systems for large-scale projects such as railway stations, utility facilities, hospitals, airport premises and data centres in Hong Kong.

The table below sets out the breakdown of our revenue, gross profit and gross profit margin of our installation and maintenance works by private and public segments for the periods indicated:

	Year ended 30 April				Five months ended 30 September			
	2015		2016		2015		2016	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector	46,212	58.7	59,676	48.5	10,300	34.5	19,177	52.4
Private sector	<u>32,461</u>	<u>41.3</u>	<u>63,321</u>	<u>51.5</u>	<u>19,594</u>	<u>65.5</u>	<u>17,416</u>	<u>47.6</u>
Total	<u><u>78,673</u></u>	<u><u>100.0</u></u>	<u><u>122,997</u></u>	<u><u>100.0</u></u>	<u><u>29,894</u></u>	<u><u>100.0</u></u>	<u><u>36,593</u></u>	<u><u>100.0</u></u>

(Unaudited)

*Note:* We classify public sector contracts as those in which the ultimate employer is a Governmental department or Governmental related organisations.

### OUR SERVICES AND BUSINESS MODEL

As a registered fire service installation contractor, we are involved in the day-to-day management and implementation of installation and maintenance of fire safety system projects awarded to us. We are responsible for project management and sourcing of necessary fire service equipment for the work. For flexible manpower management and minimising the fixed costs for employing large teams of technicians, we may delegate part of the labour intensive installation work to selected subcontractors depending on the scale, availability of resources, labour-intensiveness of the work involved and cost effectiveness. We monitor and control quality of the work from time to time. Upon completion of the work, our project engineers would inspect the work done to ensure the fire safety system installed complies with the Fire Services Ordinance. We are responsible for issuing the Certificate of Fire Service Installation and Equipment to the Fire Services Department. We receive progress payments from our customers based on the site work done, pursuant to tender documents and contracts for the relevant projects. Our revenue is recognised according to the percentage of completion method.

### OUR PROJECTS

Throughout the years, we have participated in and been responsible for fire service installation and maintenance work for various departments of the Government, Government-related organisations and numerous large scale infrastructure projects in Hong Kong. These include fire safety system work for a new railway link and fire safety system maintenance work for premises of an airport for a Government department. We also installed fire safety systems for various data centres for telecommunication companies.

## SUMMARY

The following table sets out the movement of the number of our projects during the Track Record Period:

	Year ended 30 April		Five months ended
	2015	2016	30 September 2016
<b>Opening number of projects</b>			
— Installation projects	15	32	33
— Maintenance projects	7	12	9
<b>Number of new projects</b>			
— Installation projects	132	133	50
— Maintenance projects	5	4	—
<b>Number of completed projects</b>			
— Installation projects	115	132	63
— Maintenance projects	—	7	2
<b>Ending number of projects</b>			
— Installation projects	32	33	20
— Maintenance projects	12	9	7

The following table sets out the movement of backlog of our projects during the Track Record Period:

	Year ended 30 April		Five months ended
	2015	2016	30 September 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Opening value of backlog</b>			
— Installation projects	33,794	30,675	33,446
— Maintenance projects	67,357	84,440	56,818
<b>Contract sum of new projects</b>			
— Installation projects	53,759	94,313	147,947
— Maintenance projects	38,878	3,833	—
<b>Revenue recognised</b>			
— Installation projects	56,878	91,542	30,279
— Maintenance projects	21,795	31,455	6,314
<b>Ending value of backlog</b>			
— Installation projects	30,675	33,446	151,114
— Maintenance projects	84,440	56,818	50,504

## SUMMARY

Please also refer to the notes to the above tables set out in the subsection headed “Business — Our Projects” in this prospectus.

The ending value of our backlog increased from HK\$90.3 million as at 30 April 2016 to HK\$201.6 million as at 30 September 2016. The significant increase was primarily attributed to the award of new contracts relating to the installation of fire services system for (i) public housing estates at Sheung Shui with a contract sum of HK\$56.0 million; (ii) two railway stations along the Express Rail Link with an aggregate contract sum of HK\$44.7 million; and (iii) a data centre at Tseung Kwan O with a contract sum of HK\$31.3 million.

During the Track Record Period, we undertook and completed various sizeable projects with contract value over HK\$1 million up to HK\$32.5 million. The table below sets forth the breakdown of our contracts based on their respective revenue recognised for the periods indicated:

	Year ended 30 April				Five months ended 30 September			
	2015		2016		2015		2016	
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>
<b>Installation — revenue recognised</b>								
HK\$5,000,000 or above	3	30,101	3	51,604	1	6,752	2	11,214
HK\$1,000,000 to below								
HK\$5,000,000	5	12,151	8	27,963	6	14,613	9	12,923
Below HK\$1,000,000	138	14,626	121	11,975	48	4,131	68	6,141
<b>Total</b>	<b>146</b>	<b>56,878</b>	<b>132</b>	<b>91,542</b>	<b>55</b>	<b>25,496</b>	<b>79</b>	<b>30,278</b>
<b>Maintenance — revenue recognised</b>								
HK\$5,000,000 or above	2	14,609	2	21,890	—	—	—	—
HK\$1,000,000 to below								
HK\$5,000,000	2	3,916	5	8,010	1	1,475	2	3,677
Below HK\$1,000,000	8	3,270	7	1,555	13	2,923	7	2,638
<b>Total</b>	<b>12</b>	<b>21,795</b>	<b>14</b>	<b>31,455</b>	<b>14</b>	<b>4,398</b>	<b>9</b>	<b>6,315</b>
<b>Total revenue recognised</b>								
HK\$5,000,000 or above	5	44,710	5	73,494	1	6,752	2	11,214
HK\$1,000,000 to below								
HK\$5,000,000	7	16,067	13	35,973	7	16,088	11	16,600
Below HK\$1,000,000	146	17,896	128	13,530	61	7,054	75	8,779
<b>Total</b>	<b>158</b>	<b>78,673</b>	<b>146</b>	<b>122,997</b>	<b>69</b>	<b>29,894</b>	<b>88</b>	<b>36,593</b>

## SUMMARY

### Tender success rate

During the Track Record Period, most of our revenue was attributable to projects secured through tender process. The following table sets forth our overall tender success rate for the projects (inclusive of both installation projects and maintenance projects) for the periods indicated:

	Year ended 30 April 2015	Year ended 30 April 2016	Five months ended 30 September 2016	From 1 October 2016 to the Latest Practicable Date <sup>(2)</sup>
Number of tenders submitted	387	422	189	205
Number of contracts awarded	104	110	50	50
Tender success rate <sup>(1)</sup>	26.9%	26.1%	26.5%	24.4%

*Notes:*

- (1) Tender success rate is calculated as the number of contracts awarded in respect of the tenders submitted during a financial year/period, divided by the number of tenders submitted during the respective financial year/period.
- (2) Figures for the period from 1 October 2016 to the Latest Practicable Date are subject to change as we have not received the notice of award or rejection of our tender for 155 projects, up to the Latest Practicable Date.

Our tender success rates remained stable in the past few years, and leveraged on our past record, we target to maintain tender success rate at a similar level with focus on continuous active participation in public work projects and commercial building projects and exploration for more opportunities for maintenance projects. According to the CIC Report, the average tender success rate for fire safety market in Hong Kong ranges from 15% to 25%. Our tender success rate during the Track Record Period was slightly above the industry average, and our Directors believe that this was mainly because some players would submit excessive tenders in order to increase their exposure in the industry. Although we may also submit tenders in response to tender invitations on the requests of potential customers to keep exposure in the industry and maintain good business relationship with potential customers, we also take into account of a number of factors before we submit our tenders. These factors mainly include (i) scale of the project in terms of contract value; (ii) studying and understanding the scope of work required in the project; (iii) reviewing drawings and specifications to estimate the feasibility of undertaking such project based on the technical requirements and expected completion time; (iv) clarifying any ambiguities and inconsistencies in the relevant documents such as drawings and specifications with the potential customers; and (v) capital needed and the contribution to our work portfolio.

### OUR CUSTOMERS

For installation projects, our customers mainly include well-established main contractors, who are engaged by property developers/site owners, Government departments or Government-related organisations for construction or renovation projects in Hong Kong. For maintenance projects, our customers mainly include Government departments, Government-related organisations and property management companies. During the Track Record Period, we mainly provided repair and maintenance services of fire safety system for certain premises in the airport, educational organisations and utility

## SUMMARY

companies in Hong Kong. Our aggregate sales to our five largest customers amounted to HK\$54.3 million, HK\$90.4 million and HK\$26.5 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 68.0%, 72.9% and 72.1% of our Group's total revenue during the corresponding periods respectively. Sales to our largest customer amounted to HK\$13.0 million, HK\$34.9 million and HK\$11.2 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 16.3%, 28.1% and 30.5% of our Group's total revenue for the corresponding periods respectively.

### OUR SUPPLIERS

Our major raw materials are fire service equipment such as fire control panels, pump panels, sprinklers, heat/thermal/gas detectors, pumps, fire hydrants, hose reels, alarm bells and alarm call points and water piping etc. We purchase raw materials from suppliers in Hong Kong. Our aggregate purchases from our five largest suppliers amounted to HK\$7.6 million, HK\$12.5 million and HK\$2.9 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 51.4%, 52.8% and 43.7% of our Group's total purchases during the corresponding periods respectively. Purchases from our largest supplier amounted to HK\$2.3 million, HK\$5.6 million and HK\$0.7 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 15.9%, 23.7% and 10.8% of our Group's total purchases for the corresponding periods respectively.

### SUBCONTRACTORS

For flexible manpower management and minimising the fixed costs for employing large teams of technicians, we may delegate part of the labour intensive installation work to selected subcontractors depending on the scale, availability of resources, labour-intensiveness of the work involved and cost effectiveness. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, 122, 99 and 63 of our projects were performed by our subcontractors, respectively. Among our projects performed by our subcontractors, 110, 85 and 54 installation projects (representing 75%, 64% and 68% of our total number of installation projects) were performed by our subcontractors. On the other hand, all of our maintenance projects during the Track Record Period were performed by our subcontractors. Our total subcontracting fees attributable to our five largest subcontractors amounted to HK\$28.7 million, HK\$47.0 million and HK\$18.9 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 74.2%, 72.2% and 69.3% of our Group's total subcontracting fees during the corresponding periods respectively. Subcontracting fees attributable to our largest subcontractor amounted to HK\$13.0 million, HK\$19.5 million and HK\$10.4 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 33.6%, 29.9% and 38.1% of our Group's total subcontracting fees for the corresponding periods respectively.

### OUR COMPETITIVE STRENGTHS

We believe that our success to date and our potential for future growth are attributable to a combination of our competitive strengths set out below:

- we are an experienced and active industry player with established reputation and proven track record
- we have well-established relationships with our subcontractors and suppliers

## SUMMARY

- we maintain stringent quality assurance under comprehensive management system
- we have an experienced, stable and dedicated management team

### OUR STRATEGIES

We aim to expand our business to maintain and strengthen our market position by pursuing the following strategies:

- we target to have continuous active participation in providing services for fire safety systems in both public and private sectors
- we plan to expand our maintenance services business
- we plan to streamline our fire service installation process through the development of a central pre-fabrication piping workshop to expedite the installation process and reduce labour costs
- we plan to maintain and further enhance our high standards of project planning, management and implementation

### SHAREHOLDERS' INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into consideration any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme), Mr. Li, through Golden Page, will be interested in approximately 52.51% of the issued share capital of our Company. In view of the aforesaid, each of Mr. Li and Golden Page will be our Controlling Shareholder within the meaning of the GEM Listing Rules.

### PRE-IPO INVESTOR

We have a Pre-IPO investor making an investment in us for a total cash consideration of HK\$12,000,000.0 and the Pre-IPO Investment was completed on 7 October 2016. All the proceeds from the Pre-IPO Investment shall be used for the sole purpose of paying the listing expenses of our Group in connection with the Listing. Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into consideration any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme), the Pre-IPO Investor will be interested in approximately 22.49% of the issued share capital of our Company.

The Pre-IPO Investor is a company incorporated in the BVI with limited liability and is owned as to 66.67% by Marvel Paramount Investments Limited and as to 33.33% by Super Million Two (BVI) Limited. Marvel Paramount Investments Limited is a company incorporated in the BVI and is 100% beneficially owned by Mr. Ma Ting Wai Barry, who was an Independent Third Party prior to the completion of the Pre-IPO Investment. Super Million Two (BVI) Limited is a company incorporated in the BVI and is wholly owned by Opus Special Situation Fund 1 LP, a private equity fund registered under an exempted limited partnership structure in the Cayman Islands managed by its general partner, Opus SSF Management Limited, a company incorporated in the Cayman Islands with limited liability, and its investment manager, Opus Capital Management Limited, a corporation licensed under the SFO to conduct Type 9 (asset management) regulated activity under the SFO.

## SUMMARY

### KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our summary consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial position during the Track Record Period prepared in accordance with HKFRSs, which includes Hong Kong Accounting Standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are extracted from our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus.

#### Selected consolidated income data

	Year ended 30 April		Five months ended 30 September	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Revenue	79,882	123,989	30,765	36,699
Gross profit	11,265	19,645	4,132	6,413
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company for the year/period	6,422	12,836	2,242	(632)

For the year ended 30 April 2016, we recorded a significant increase in revenue and profit from the provision of installation and maintenance services to both public and private sector as compared with the year ended 30 April 2015. This was mainly because we successfully secured and carried out substantial work on two large-scale installation projects (a railway station in Kai Tak and a data centre in Tseung Kwan O) with an aggregate contract sum of approximately HK\$57.4 million; and we were instructed by our customers to carry out additional works on some of our maintenance projects.

We incurred a loss of HK\$0.6 million for the five months ended 30 September 2016, resulting from the recognition of listing expenses of HK\$4.1 million.

#### Selected consolidated statements of financial position

	As at 30 April		As at
	2015	2016	30 September 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	478	469	780
Current assets	25,555	39,857	52,055
Current liabilities	14,820	20,058	25,101
Net current assets	10,735	19,799	26,954



## SUMMARY

### Selected consolidated statements of cash flows

	Year ended 30 April		Five months ended 30 September	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital	8,020	15,854	2,836	190
Net cash generated from (used in) operating activities	2,499	3,391	(2,220)	7,655
Net cash used in investing activities	(149)	(231)	(113)	(113)
Net cash (used in) from financing activities	(719)	(5,169)	(842)	7,668

### Key financial ratios

	Year ended/As at 30 April		Five months ended/As at 30 September
	2015	2016	2016
	Gross profit margin	14.1%	15.8%
Net profit/(loss) margin	8.0%	10.4%	(1.7)% <sup>1</sup>
Current ratio	1.7	2.0	2.1
Gearing ratio <sup>2</sup>	14.7%	4.7%	3.4%
Debt to equity ratio <sup>3</sup>	N/A	N/A	N/A
Interest coverage	51.1	108.4	7.8
Return on assets	24.7%	31.8%	N/A <sup>4</sup>
Return on equity	59.9%	64.8%	N/A <sup>4</sup>

*Notes:*

1. Our Group had a net loss margin of 1.7% for the five months ended 30 September 2016, mainly attributed to the recognition of listing expenses of HK\$4.1 million.
2. Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include payables incurred not in the ordinary course of business.
3. Our Group had a net cash position as at 30 April 2015 and 2016 and 30 September 2016.
4. Return on assets and return on equity are calculated on a full year basis.

Please also refer to notes to the above ratios as set out in the subsection headed “Financial Information — Major financial ratios” in this prospectus.

## SUMMARY

### LISTING EXPENSES

The total estimated listing expenses in connection with the Share Offer (including underwriting commission) was approximately HK\$22.5 million, assuming the Offer Size Adjustment Option is not exercised and based on the mid-point of the indicative Offer Price range.

For the five months ended 30 September 2016, our Group incurred listing expenses of approximately HK\$4.1 million, which were fully charged to the profit or loss. For the year ending 30 April 2017, we estimate that the listing expenses to be incurred will amount to approximately HK\$22.5 million, of which approximately HK\$15.0 million will be charged to profit or loss and the remaining approximately HK\$7.5 million will be charged against equity upon successful Listing under relevant accounting standards. Our financial performance for the year ending 30 April 2017 would be significantly and negatively affected by the one-off listing expenses as mentioned in the foregoing. In particular, it is expected that our net profit for the year ending 30 April 2017 would be significantly lower than that of the year ended 30 April 2016.

### RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

We continued to focus on our principal business of providing fire safety system installation services and maintenance services. In the second half year of 2016, we were awarded five large-scale public sector projects. These projects include (i) an installation project for a railway station along Shatin to Central Link with a contract sum of HK\$20.4 million; (ii) an installation project for a railway station along the Express Rail Link with a contract sum of HK\$30.2 million; (iii) an installation project for a medical centre of excellence in the paediatrics speciality in Kai Tak with a contract sum of HK\$18.9 million; (iv) an installation project for a data centre at Tseung Kwan O with a contract sum of HK\$7.9 million; and (v) a maintenance project in the premises of various Government departments with a contract sum of HK\$25.4 million.

As at the Latest Practicable Date, we had 42 fire safety system installation and maintenance projects in progress (including the five large-scale public sector projects mentioned above) and these projects are expected to contribute revenue of approximately HK\$211.6 million after the Track Record Period.

To the best information and knowledge of our Directors, up to the date of this prospectus, there are no material changes to the market condition of the fire safety market which would materially affect the operation or performance of our principal business.

Our Directors confirmed that, up to the date of this prospectus, save for the impact of listing expenses, there has been no material adverse change in our financial or trading position or prospect of our Company or its subsidiaries since 30 September 2016, the end of the period reported in the Accountants' Report set out in Appendix I to this prospectus, and there has been no event since 30 September 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

## SUMMARY

### FUTURE PLANS AND USES OF PROCEEDS

The aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK\$0.3 per Share, being the mid-point of the indicative range of the Offer Price of HK\$0.2 to HK\$0.4 per Share, and assuming the Offer Size Adjustment Option is not exercised) will be approximately HK\$37.5 million. Our Directors intend to apply the net proceeds from the Share Offer as follows:

Amounts (HK\$)	Percentage of total amount of the net proceeds	Use of proceeds
19.0 million	50.7%	<ul style="list-style-type: none"><li>expanding and increasing our capacity in providing installation and maintenance services for fire safety system, among which 16.1% of the total net proceeds will be reserved for paying materials and subcontracting fees during early stage of project execution, and 34.6% of the total net proceeds will be reserved for providing performance bonds</li></ul>
7.6 million	20.3%	<ul style="list-style-type: none"><li>expanding our manpower for project execution and strengthening the expertise and skills of our staff</li></ul>
7.0 million	18.7%	<ul style="list-style-type: none"><li>streamlining the process of providing fire safety services by developing a central pre-fabrication workshop by 30 April 2019</li></ul>
2.2 million	5.9%	<ul style="list-style-type: none"><li>purchase of ERP system to further enhance our project planning, management and implementation</li></ul>
0.5 million	1.3%	<ul style="list-style-type: none"><li>increasing our Group's marketing resources in enhancing brand awareness of our Group</li></ul>
1.2 million	3.1%	<ul style="list-style-type: none"><li>additional working capital and other general corporate purposes</li></ul>

### REASONS FOR LISTING

Our Directors believe that the listing of the Shares on GEM will solidify and strengthen our position as a major provider of fire safety service in Hong Kong.

The Share Offer will enhance our capital base and provide us with additional working capital to expand and develop our Group by implementing the future plans set out in the section headed "Future Plans and Use of Proceeds" to capture the potential growth in the industry. With our strengthened financial position, our Group will be able to tender for more installation and maintenance projects for fire safety system. Our Group will also have capacity to expand our maintenance service business. The Share Offer can (i) partially satisfy our capital needs for various large-scale projects on hand and the projects that we have submitted tenders; and (ii) enable our Group to expand and develop in accordance with our aforementioned future plans.

## SUMMARY

Our Directors believe that the Listing will enable the Group to achieve various objectives for business development which include the following: (a) capital raised through the Share Offer would strengthen our Group's cash flow position to undertake our projects on hands, including five large scale projects with aggregate contract sum of HK\$102.8 million which were awarded in the second half year of 2016; (b) we have submitted tenders for a number of projects with aggregate contract sum of approximately HK\$180 million which require performance bonds representing up to 10% of the relevant contract sums to further enhance our project portfolio. If we are awarded with these projects, we would be in need of and be able to utilise part of the proceeds from the Share Offer to finance both the net cash outflows required in early stage of execution and the performance bonds required for these projects; we plan to allocate HK\$13 million from the net proceeds from the Share Offer for providing performance bonds and we would apply internal generated resources for the remaining performance bonds of HK\$5 million; (c) capital raised through the Listing will enable us to maintain bank facilities without reliance on personal guarantees and collaterals from our Controlling Shareholders; (d) becoming a public listed company would strengthen our business relationships with our customers, subcontractors and suppliers; (e) enhance our ability to recruit and retain management and technical personnel with a public listing status and increase our capacity to offer more competitive salary packages; and (f) the Listing will provide a fund-raising platform to access the capital market for future corporate finance exercises to assist in our future business development and further strengthen and enhance our competitiveness.

For further details of our reasons for Listing, please refer to the subsection headed "Future Plans and Use of Proceeds — Reasons for Listing" for details.

### **DIVIDEND**

The dividend declared and paid by the Company's subsidiary, Windmill Engineering, to the Controlling Shareholder during the years ended 30 April 2015 and 2016 amounted to HK\$3.0 million and approximately HK\$3.8 million respectively. The foregoing should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. We do not have a pre-determined dividend payout ratio. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

### **RISK FACTORS**

There are certain risks relating to investment in the Offer Shares, among which the relatively material risks include the following:

- our revenue relies on successful tenders of projects for installation and maintenance of fire safety systems which are non-recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers;
- we make estimations of our project costs in our tenders. Any failure to accurately estimate the costs involved may lead to cost overruns or even result in losses;
- our liquidity and financial position may be adversely affected if our customers fail to make payments and/or release retention monies to us on time or in full; and
- our cash flows may deteriorate due to potential mismatch in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers.

## SUMMARY

### NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there were certain non-compliance incidents of Windmill Engineering, our principal subsidiary, of certain regulations under the Fire Services Ordinance. These include the following:

- Windmill Engineering issued two Certificates of Fire Services Installations and Equipment in November 2014 signed by wrong authorised signatory due to clerical error. This constituted a contravention of the Fire Service (Installations and Equipment) Regulations resulting in a possible fine of up to HK\$50,000. Upon the investigation conducted by the HKFSD, it was revealed that the case was merely due to oversight, and hence the HKFSD issued a warning letter to Windmill Engineering without taking any legal action; and
- Windmill Engineering has not notified the HKFSD about the resignation of two qualified persons within 14 days of their resignation in June and July 2014 as required under the Fire Service (Installation Contactors) Regulations due to inadvertent omission of the notifications. Contravention of the relevant regulations may result in removing of the name of the registered contractor from the register or the registered contractor be reprimanded. Windmill Engineering has made two applications on 7 June 2016 and 20 June 2016 respectively for deleting the two qualified persons from its list of qualified persons which have been granted by the HKFSD.

For details, please refer to the subsection headed “Business — Compliance — Non-compliance with the regulations under the Fire Services Ordinance” of this prospectus. Such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial operational aspects.

### OFFERING STATISTICS

	<b>Based on the maximum Offer Price of HK\$0.4 per Share</b>	<b>Based on the minimum Offer Price of HK\$0.2 per Share</b>
Market capitalisation of our Shares <sup>(2)</sup>	HK\$320 million	HK\$160 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(3)</sup>	HK\$0.11	HK\$0.06

*Notes:*

1. All statistics in this table are based on the assumption that the Offer Size Adjustment Option is not exercised and no options are granted under the Share Option Scheme.
2. The calculation of the market capitalisation of the Shares is based on the respective Offer Price of HK\$0.2 and HK\$0.4 per Share and on the assumption that 800,000,000 Shares will be in issue immediately after completion of the Share Offer and Capitalisation Issue.
3. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share is arrived at after adjustment for the estimated net proceeds from the Share Offer as described in note 2 and on the basis that a total of 800,000,000 Shares were in issue as at 30 September 2016 (including Shares in issue as at the date of this prospectus and those Shares are expected to be issued pursuant to the Share Offer and the Capitalisation Issue, but not taking into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).
4. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company and the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share as at 30 September 2016 have not taken into account the special dividend of approximately HK\$628,000 declared on 5 October 2016 for payment to the Controlling Shareholder of our Group and the issue of 2,999 Shares at a cash consideration of HK\$12,000,000 to the Pre-IPO investor on 7 October 2016. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company would have been increased to approximately HK\$61,122,000 and HK\$99,122,000 and the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share would have been increased to HK\$0.08 and HK\$0.12 per Share, based on the Share Offer Price at the low-end or high-end of the indicative price range of HK\$0.2 or HK\$0.4 per Share respectively.

## DEFINITIONS

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

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), individually or collectively, as the context may require
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on 27 March 2017 to take effect on the Listing Date, a summary of which is contained in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board” or “our Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 599,990,000 new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company as detailed in the subsection headed “A. Further Information about our Company and our Subsidiaries — 5. Written resolutions of our Shareholders passed on 27 March 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force

## DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CIC”	China Insights Consultancy Limited, a market research consultant who is an Independent Third Party
“CIC Report”	the industry report prepared by CIC on the fire safety industry in Hong Kong
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies (WUMP) 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”, “the Company” or “our Company”	WINDMILL Group Limited (海鑫集團有限公司), an exempted company incorporated in the Cayman Islands on 25 August 2016 with limited liability
“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, means Mr. Li and Golden Page
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Dakin Capital” or “Sole Sponsor”	Dakin Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Share Offer
“Dakin Securities”	Dakin Securities Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities under the SFO, being a joint bookrunner and a joint lead manager of the Share Offer
“Deed of Indemnity”	the deed of indemnity dated 27 March 2017 entered into by our Controlling Shareholders in favour of our Company (for ourselves and for benefit of our subsidiaries)
“Deed of Non-Competition”	the deed of non-competition undertaking dated 27 March 2017 entered into by the Controlling Shareholders in favour of our Company (for ourselves and for benefit of our subsidiaries)
“Development Bureau”	the Development Bureau of the Government

## DEFINITIONS

“Director(s)”	the director(s) of our Company
“EMSD” or “Electrical and Mechanical Services Department”	Electrical and Mechanical Services Department of the Government
“ERP system”	the enterprise resource planning system, a comprehensive software designed to integrate business processes and functions, by permitting the sharing of common data and practices in a real-time environment
“Get Nice”	Get Nice Securities Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being a joint bookrunner and a joint lead manager of the Share Offer
“Fire Services Department”	Fire Services Department of Hong Kong
“Fire Services Ordinance”	the Fire Services Ordinance (Chapter 95 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Fire Service (Installation Contractors) Regulations	the Fire Service (Installation Contractors) Regulations (Chapter 95A of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
Fire Service (Installations and Equipment) Regulations	Fire Service (Installations and Equipment) Regulations (Chapter 95B of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“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 “government”	unless otherwise stated, the Government of the HKSAR
“Government departments” or “Government-related organisations”	various departments of Government and Government-related organisations published on Government’s website at <a href="http://www.gov.hk">www.gov.hk</a> (at the webpage headed “Government and Related Organisations Listed by Organisational Structure”)
“Golden Page”	Golden Page Investments Limited (金頁投資有限公司), a company incorporated in BVI with limited liability on 26 July 2016 and a Controlling Shareholder



## DEFINITIONS

“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK eIPO White Form”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKFSD”	the Director of the Fire Services Department
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Legal Adviser”	Iu, Lai & Li, a firm of solicitors in Hong Kong and legal adviser to our Company as to Hong Kong law in connection with the Listing
“Housing Authority” or “HA”	the Hong Kong Housing Authority, a statutory body established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any directors, chief executives and substantial shareholders of our Company or any of its subsidiaries and any of their respective associates

## DEFINITIONS

“IRD”	the Inland Revenue Department of Hong Kong
“IRO”	Inland Revenue Ordinance (Chapter 112 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ISO 14001”	environmental management system requirements published by ISO
“ISO 9001”	quality management system requirements published by ISO
“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
“IT”	information technology
“Joint Bookrunners”	Dakin Securities, Get Nice and Opus Capital
“Joint Lead Managers”	Dakin Securities, Get Nice and Opus Capital
“Labour Department”	the Labour Department of the Government
“Latest Practicable Date”	22 March 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Stock Exchange
“Listing Date”	the date on which dealings in our Shares first commence on GEM, which is expected to be on or about Tuesday, 18 April 2017
“Listing Division”	the Listing Division of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended from time to time
“Mr. Li”	Mr. Li Shing Kuen Alexander, an executive Director and a Controlling Shareholder
“Mr. Poon”	Mr. Poon Kwok Kay, an executive Director
“Offer Price”	the price for each Offer Share of not more than HK\$0.4 per Share and expected to be not less than HK\$0.2 per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and to be fixed on the Price Determination Date

## DEFINITIONS

“Offer Shares”	the Public Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option expected to be granted by the Company to the Placing Underwriters, exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) on or before 13 April 2017 at their sole and absolute discretion under the Placing Underwriting Agreement to require the Company to issue up to an additional 30,000,000 Shares, representing 15.0% of the number of the initial Offer Shares, at the Offer Price, details of which are described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
“OHSAS 18001”	an international standard setting out the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“Opus Capital”	Opus Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to our Company in relation to the Listing, and a joint bookrunner and joint lead manager of the Share Offer
“Placing”	the conditional placing of 180,000,000 new Shares by the Underwriters on behalf of our Company together with, where relevant, any additional Offer Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option for cash at the Offer Price, subject to the terms and conditions as described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing Shares”	the 180,000,000 new Shares initially offered for subscription at the Offer Price under the Placing, subject to re-allocation and the exercise of the Offer-size Adjustment Option, as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement

## DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, as further described in the subsection headed “Underwriting — Placing” in this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance
“Pre-IPO Investment”	the subscription of 2,999 new Shares by the Pre-IPO Investor at an aggregate consideration of HK\$12,000,000.0 pursuant to the Subscription Agreement
“Pre-IPO Investor” or “Smart Million”	Smart Million (BVI) Limited, a company incorporated in BVI with limited liability on 18 August 2016, the pre-IPO investor under the Pre-IPO Investment
“Price Determination Date”	the date, expected to be on or around 7 April 2017 (or such later date as may be agreed between our Company and the Joint Bookrunners) (for themselves and on behalf of the Underwriters), on which the Offer Price will be determined for the purposes of the Share Offer
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription to the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 20,000,000 new Shares initially offered by our Company for subscription at the Offer Price pursuant to the Public Offer (as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in the subsection headed “Underwriting — Underwriters — Public Offer Underwriters” in this prospectus

## DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 30 March 2017 relating to the Public Offer entered into, among others, our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in subsection headed “Underwriting — Public Offer underwriting arrangements and expenses” in this prospectus
“Regulation S”	Regulation S under the US Securities Act
“Reorganisation”	the pre-Listing reorganisation of our Group, further details of which are described under the subsection headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, further details of which are described in the subsection headed “D. Share Option Scheme” in Appendix IV headed “Statutory and General Information” to this prospectus
“Shareholder(s)”	holder(s) of our Share(s)
“Shareholders Agreement”	the Shareholders Agreement dated 7 October 2016 entered into between our Company, Golden Page, Mr. Li and the Pre-IPO Investor (as varied by a waiver granted by the Pre-IPO Investor on 6 January 2017) to regulate the business, affairs and management of our Group and the relationship between Golden Page, the Pre-IPO Investor and our Company upon the completion of the Pre-IPO Investment, details of which are set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“Subscription Agreement”	the Subscription Agreement dated 20 September 2016 entered into among the Company, Mr. Li, Golden Page and the Pre-IPO Investor regarding the Pre-IPO Investment in our Company, details of which are set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“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
“Success Chariot”	Success Chariot Limited, a company incorporated in BVI with limited liability on 6 July 2016, a direct wholly-owned subsidiary of our Company
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“Tax Adviser”	SHINEWING Tax and Business Advisory Limited, our tax adviser on certain tax issues
“Tax Opinion”	a Hong Kong tax opinion from SHINEWING Tax and Business Advisory Limited, our Group’s tax adviser, in respect of certain tax matters
“Track Record Period”	the period comprising the two financial years of our Group ended 30 April 2016 and the five months ended 30 September 2016
“Underwriter(s)”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriter Agreement
“US” or “United States”	the United States of America
“US Securities Act”	the United States Securities Act of 1933, as amended
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicant’s own name(s)
“Windmill Engineering”	Windmill Engineering Company Limited (海鑫工程有限公司), a company incorporated in Hong Kong with limited liability on 20 May 1983, and an indirect wholly-owned subsidiary of our Company
“Works Branch”	the Works Branch of the Development Bureau

## DEFINITIONS

“**YELLOW** Application Form(s)” the application form(s) for use by the public who require such Public Offer Shares to be deposited directly in CCASS

“%” per cent

*Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.*

*Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme.*

## GLOSSARY

*The glossary contains explanations of certain terms used in this prospectus as they relate to the business of our Group. As such, these terms and their meanings may not correspond to the standard industry meaning or usage of these terms.*

“contract sum”	the price payable to the party carrying out the works, which under some contracts may be subject to adjustment in accordance with their respective terms
“fire safety service(s)”	service(s) relating to provision of fire safety system
“fire safety system”	fire service system which mainly consists of evacuation and electrical fire alarm systems, water and gas expression systems and portable fire equipment
“List of Approved Contractors for Public Works”	the List of Approved Contractors for Public Works maintained by the Works Branch which comprises those contractors who are approved for carrying out public works in Hong Kong in one or more of the five major categories of building and civil engineering works, that is, buildings, port works, roads & drainage, site formation and waterworks
“main contractor”	in respect of a construction project, a contractor appointed by the site owner or client who generally oversees the progress of the entire construction project and delegates different work tasks of construction to other contractors
“practical completion”	a stage of substantial completion of works marked by the issue of a certificate to that effect, meaning the completion of the works for all practical purposes, allowing the employer to take possession of the works and use them as intended without patent defects
“pre-qualification”	the selection of a shortlist of potential contractors or consultants who will be invited to submit a tender
“public sector” or “public work”	projects under public sector contracts in which the ultimate employer is a Government department or Government-related organisations
“quantity surveyor” or “QS”	a person with skills in the construction industry in relation to the estimation of construction costs and contracts
“registered fire service contractor” or “registered fire service installation contractor”	a contractor who is registered with the Fire Services Department in at least one of the three classes under the Fire Service (Installation Contractors) Regulations



## GLOSSARY

“subcontract”	a contract between a contractor and a subcontractor to carry out all or part of the works which the contractor is obliged to complete under its contract with its customer
“subcontractor”	a contractor employed by the main contractor to carry out part of the contract work on behalf of the main contractor
“variation order(s)”	such additional works, omissions or changes requested by the customer for specifications not included in the original contract

## FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, “shall”, “will” and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management’s current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed “Risk factors” in this prospectus. We have made these statements with due care and have no reason to believe that the statements are not accurate. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. 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. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in the section headed “Risk factors” in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

## RISK FACTORS

*You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that all of our Group's operations are conducted in Hong Kong and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

**Our revenue relies on successful tenders of projects for installation and maintenance of fire safety systems which are non-recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will be able to secure new customers**

During the Track Record Period, over 98% of our revenue was derived from offering services for installation and maintenance of fire safety systems in Hong Kong. We secured most of our projects, including both the installation projects and maintenance projects, through competitive tender process. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our tender success rate was 26.9%, 26.1% and 26.5% respectively. Our future growth and success will depend on our ability to continue to secure tenders and contract awards, which is dependent on a few factors, such as the number of invitations for tendering quotations in each year and the tender quotation offers submitted by our competitors in each project.

As our business is project-based, we need to submit a new tender to our current customers for each new project. There is no guarantee that our current customers will continue to include us in their tendering process or award us with new contracts. Further, we cannot assure you that we will be able to seek new customers in the future. As we do not have long-term commitments with our customers, our customers may vary from year to year and there is no assurance that we will be able to maintain or increase our success rates in obtaining projects tendered and quoted in the future.

As such, upon completion of our contracts on hand, our financial performance and business operations may be adversely affected if our Group is unable to secure new tenders or obtain new contract awards with comparable contract sums or at all.

**We make estimations of our project costs in our tenders. Any failure to accurately estimate the costs involved may lead to cost overruns or even result in losses**

In general, we prepare our tenders and quotations based on our estimated work time and project costs. Our price quotations are based on our estimated costs for each project, which mainly include subcontracting costs and material costs plus an expected mark-up margin at the time when we submit our tenders or our initial project proposals to our potential customers. We also take into account factors including the scope and complexity of the project, the time frame of the project, the quotations of suppliers and subcontractors, the materials price trend, the wage trend, our previous tender records, the awarded tender prices of similar projects, our relationship with the potential customers, payment history

## RISK FACTORS

and prevailing market conditions. The final price of a project will be determined with reference to our quotation, and will be substantially agreed to by our customers and our Group at the time when a project is awarded to us. Therefore, it is essential to accurately estimate and control the costs of each project.

However, several factors may adversely affect the time and costs involved in completing a specific project and our profit margin, including changes in our subcontracting and material costs after submitting our tender or delays in completing the project. Although we normally obtain fee quotes from the subcontractors or suppliers prior to the determination of our tender prices, the subcontracting costs and material costs are subject to adverse changes during the course of the projects, including shortage of labour, fluctuations in the costs of labour and materials, variations in technical specifications or customers' requirements in connection with the projects, adverse weather conditions, disputes with subcontractors or suppliers, accidents or other unforeseen problems and circumstances. In addition, there is no guarantee that the quality of materials supplied to our Group will always meet our required standards. We may be forced to replace these materials from other suppliers at additional costs and time. All of these factors can give rise to delays in completion of our works or cost overruns, or even termination of projects by our customers.

As such, there is no assurance that the actual time and costs involved in completing a specific project would not exceed our estimation during the actual implementation of the project, which usually takes months or years to complete. If cost overruns or delays occur, we may experience an increase in costs exceeding our budgets. We may achieve lower-than-expected profits or even incur losses, which in turn may materially and adversely affect our financial position.

### **We rely on our major customers**

For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our aggregate sales to our top five customers accounted for 68.0%, 72.9% and 72.1% of our Group's total revenue, respectively. Our largest customer accounted for 16.3%, 28.1% and 30.5% of our Group's total revenue for the corresponding periods respectively.

There is no assurance that our major customers will maintain the current business relationship with us and engage us in the future, or that we will be able to find new customers or diversify our customer base. Any deterioration or termination of the business relationship with our major customers may adversely affect our financial position.

In addition, we cannot assure you that our major customers will remain financially sound or that they will duly settle payments due to our Group in the future. If our major customers encounter financial difficulties or pose counterparty risk, our Group, as an unsecured creditor, may not be able to recover any amounts due from these customers.

### **We rely on subcontractors to complete our projects and we may be liable for the performance of our subcontractors**

For flexible manpower management and minimising the fixed costs for employing large teams of technicians, we may delegate part of the labour intensive installation work to selected subcontractors depending on the scale, availability of resources, labour-intensiveness of the work involved and cost effectiveness.

## RISK FACTORS

For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, 122, 99 and 63 of our projects were performed by our subcontractors, respectively. Among our projects performed by our subcontractors, 110, 85 and 54 installation projects (representing 75%, 64% and 68% of our total number of installation projects) were performed by our subcontractors. On the other hand, all of our maintenance projects during the Track Record Period were performed by our subcontractors. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our subcontracting costs amounted to HK\$43.6 million, HK\$69.2 million and HK\$19.8 million respectively, representing 63.5%, 66.3% and 65.5% of our total costs of sales respectively.

As we have not entered into any long-term contracts with our major subcontractors, there is no assurance that our major subcontractors will continue to provide services to our Group at fees acceptable to us or that we can maintain our business relationship with them in the future. Suitable subcontractors may not always be readily available for our engagement and we cannot assure that we would be able to find suitable alternative subcontractors which satisfy our project needs. If our subcontractors refuse to provide the relevant services to our Group, our Group may not be able to complete our projects on schedule and within budget. Further, in view of the growing trend of labour shortage and increase in labour costs in Hong Kong in recent years, our subcontractors may have to retain their labour by increasing their wages, which may increase our subcontracting costs and thus lower our profitability.

Further, we may not be able to monitor the performance of our subcontractors as directly and efficiently as the way in which we monitor our own staff. If the subcontractors fail to carry out the works in accordance with our standards and specifications, we may fail to complete our projects on time or at all. We may be required to incur significant time and costs to carry out remedial actions, or even be required by our customers to pay liquidated damages, which would in turn adversely affect the profitability and reputation of our business, and may also lead to litigation or claims against us.

**Our liquidity and financial position may be adversely affected if our customers fail to make payments and/or release retention monies to us on time or in full**

During the Track Record Period, our Group generally receive interim payments based on the amount of works completed from our customers. Our Group normally submits a bill specifying the amount of works completed to the customers. Our customers will then assess and verify the amount of completed works before arranging for the payments. Our customers usually settle the invoices in 30 days after the issuance of our invoices. Our trade and retention receivables were HK\$7.9 million, HK\$18.2 million and HK\$12.6 million as at 30 April 2015, 30 April 2016 and 30 September 2016, respectively.

In addition, retention monies are generally required by our customers to secure our Group's due performance of the contracts. Retention monies are normally 10% of the total contract value, half of which will generally be released to us upon the issuance of a certificate of practical completion of the contracted works by customers, while the balance will be released after the defect liability period as specified in the contracts or upon the rectification of defects or imperfections discovered in relation to our works (whichever is later), subject to our customers' reasonable satisfaction with our completed works.

We did not experience material difficulty in collecting our trade receivables and/or retention monies during the Track Record Period and accordingly did not make any provision for doubtful debt. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables and/or retention monies from

## RISK FACTORS

our customers on a timely basis or that there will not be any future disputes with our customers in terms of collection of receivables and/or retention monies which may result in significant delay in receivables and/or retention monies collection.

Our revenue is recognised according to the percentage of completion method, and billings are based on progress payment applications. Our liquidity is dependent on our customers making prompt progress payments and releasing retention monies due to us. If our customers experience financial distress or are unable to settle their payments due to us or release the retention monies to us in a timely manner or at all, our liquidity and financial condition will be adversely affected.

**Our cash flows may deteriorate due to potential mismatches in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers, and we recorded negative operating cash flow for the five months ended 30 September 2015**

As we subcontract part of the labour intensive works of our projects to subcontractors and rely on suppliers for the provision of fire equipment or related accessories, we may incur cash outflow during the Track Record Period. As at 30 April 2015, 30 April 2016 and 30 September 2016, the trade and retention payables amounted to HK\$8.9 million, HK\$12.5 million and HK\$11.0 million respectively.

We rely on cash inflow from our customers to meet our payment obligations to our subcontractors and/or suppliers. Our cash inflow is dependent on prompt settlement of progress payments and timely release of retention monies from our customers. However, even if our customers settle such payments on time and in full, we cannot assure you that we would not experience any significant cash flow mismatch. We may incur negative operating cash flow. For the five months ended 30 September 2015, our net cash used in operating activities amounted to HK\$2.2 million. If there is any significant and substantial cash flow mismatch, we may have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations on time and in full, which may adversely affect our liquidity and financial condition.

**We depend on our senior management, project managers and in-house engineers. Any inability to retain our staff may adversely affect our business operations**

Our success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, and in particular our executive Directors, senior management, project managers and in-house engineers with the requisite industry expertise. Mr. Li, our Controlling Shareholder and an executive Director, has been working for us for more than 30 years. Mr. Poon, our executive Director and senior business development manager, has over 25 years' working experience in the fire safety service industry. Mr. Lam Tai Ming, a class 3 fire service installation contractor registered with the Fire Services Department under the Fire Service (Installation Contractors) Regulations and our senior project manager, is experienced in the industry and has been with us for more than 20 years. Our future success is therefore dependent, to a large extent, on our ability to retain our executive Directors, senior management, project managers and in-house engineers.

Our management personnel and skilled employees may leave us or we may terminate their employment at any time. We cannot assure you that we will be able to retain our management personnel and skilled employees or find suitable or comparable replacements on a timely basis or at all. Moreover, if any of our management personnel or skilled employees leaves us or joins any of our competitors, we

## RISK FACTORS

may lose our customers, subcontractors, suppliers and know-how. The loss of any of our management personnel and skilled employees could have a material adverse effect on our business, operations and financial condition.

### **Expiry, withdrawal, revocation, downgrading and/or failure to renew any of the current registrations, licences and qualifications held by our Group may adversely affect our business operations and financial results**

As at the Latest Practicable Date, our Group and/or our personnel held several types of registrations, licences and qualifications that are material to our business operations in Hong Kong. For details of our Group's existing registrations, licences and qualifications, please refer to the subsection headed "Business — Licences, permits, qualifications and registrations" in this prospectus. Certain registrations, licences and qualifications may only be valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant government authorities. Such renewal is generally subject to compliance with the relevant regulations, and satisfaction of certain technical, relevant industry experience requirements and/or documentary requirements.

There is no assurance that our Group will be able to renew such registrations, licences and qualifications from time to time in the future. Further, for various reasons including provision of sub-standard works or failure to implement adequate safety measures, the relevant government authorities may remove us from their lists of approved contractors, or take other disciplinary actions against us such as suspension, downgrading to probationary status, or demotion to a lower group in respect of all or any work category.

Any such failure to renew such registrations, licences and qualifications, or any disciplinary actions taken by the government authorities could damage our Group's reputation, lower our competitiveness in obtaining future business and impair our exposure to our customers, which in turn could materially and adversely affect our growth and operations.

### **Our historical revenue and gross profit margin may not be indicative of our financial performance in the future**

We experienced revenue growth over the Track Record Period. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our revenue amounted to HK\$79.9 million, HK\$124.0 million and HK\$36.7 million respectively; our gross profit amounted to HK\$11.3 million, HK\$19.6 million and HK\$6.4 million respectively, representing gross profit margin of 14.1%, 15.8% and 17.5% respectively. However, such trend of our historical financial information is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future.

Our future performance will depend on, among other factors, market conditions in Hong Kong, competition among the fire safety service industry, our ability to secure new contracts and control on our costs, and will be subject to the risks set out in this section. In addition, our profit margin may fluctuate from project to project due to a number of factors, including the accuracy of our estimated costs when determining the tender price, the complexity and size of the project, subcontracting charges and our pricing strategy. There is no assurance that we will be able to secure large scale projects, maintain our current turnover and profit levels in the future or attain growth rates similar to those achieved by us during the Track Record Period.

## RISK FACTORS

### **We may be unable to implement our business strategies within the expected time frame or within the estimated budget**

Our ability to continue to develop and expand our business will depend on our continuing ability to successfully implement our business strategies, which are set out in the subsection headed “Business — Business strategies” of this prospectus.

Our ability to implement our business strategies depends on, among other things, the general economic conditions in Hong Kong, our ability to continue to maintain close relationships with our major customers and to expand our customer base, the prospects of growth for real estate and construction projects, the availability of management, financial, technical, operational and other resources, competition, and other risk factors set out in this section. There is no assurance that we will be able to successfully implement our business strategies within the expected time frame or within the estimated budget. If we are unable to implement our business strategies which are subject to factors beyond our control, we may not be able to grow at a rate comparable to our growth in the past, or at all. Consequently, our business operations and financial position may be materially and adversely affected.

### **Labour shortages may adversely affect our Group’s business operation and financial performance**

We rely on labour with expertise, experience, special licences, registrations and qualifications in relation to the fire safety service industry to provide quality services, including registration as an electrical worker and plumber’s licence. Such labour are limited in supply and not readily replaceable.

According to the CIC Report, the construction industry is facing the problems of a labour shortage and ageing skilled labour which affect the supply and costs of labour. In addition, the minimum wage policy implemented by the Hong Kong Government since May 2011 has further led to a rise in the labour costs.

There is no assurance that the supply of labour will remain stable. Any future inability to recruit and retain qualified individuals in a timely manner or at reasonable costs, or any material increase in labour costs as a result of a shortage in supply of skilled labour may damage our competitiveness and business and adversely affect our financial condition and operations. Further, we may not be able to handle existing projects or compete for new projects, which may inhibit our future expansion and growth.

### **If we fail to complete our works on time or at all, we may have to pay liquidated damages or be subject to other penalties**

Our Group is normally required to complete our projects according to a schedule as stated in the relevant contracts. However, there are several unforeseeable factors which may lead to a delay or disruption in the work progress of each project, including delays in delivery of goods and services by subcontractors and/or suppliers, unfavourable weather conditions, accidents, disputes with customers, subcontractors and/or suppliers of any tiers and/or other project parties, or other factors that are beyond our expectation or control. As such, we cannot guarantee that we will complete every project on time or at all, nor can we assure that our customers would grant us sufficient time extensions in cases of delay in completion.



## RISK FACTORS

Our Group's revenue is recognised according to the percentage of completion method. Any delay in completing the projects will adversely affect our billings, revenue, operational cash flows and financial performance. If any such delay is caused by our defaults, we may be liable to pay our customers and/or other contracting parties liquidated damages for any losses or damages arising from the delay. Such liquidated damages are calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under a specific contract for the period during which the works remain incomplete. Apart from adversely affecting our profitability, any delay in completing our projects may also damage our Group's reputation and deter any future business opportunities.

During the Track Record Period and up to the Latest Practicable Date, there had been no material claims against us for liquidated damages due to our delay in completing the projects.

### **We are exposed to disputes, claims or litigation**

We may be involved in disputes arising from our business operations with our customers, subcontractors, suppliers, workers and other parties concerned with our projects from time to time, which may lead to legal or arbitration proceedings. For instance, disputes or claims may arise in respect of personal injury cases, late completion of works or delivery of substandard works, late or insufficient payments, personal injuries and labour compensation. During the Track Record Period, we were a co-defendant in a personal injury case arising out of a maintenance project which had been settled among the relevant parties. For details, please refer to the subsection headed "Business — Litigation" in this prospectus. As at the Latest Practicable Date, to the best of the Directors' knowledge, there is no outstanding litigation and/or claim against our Group.

In addition, in the course of project implementation, our customers may give "variation orders" to us and request us to alter the scope of works or perform additional works which are not included in the original specifications. The variations shall be determined and valued in accordance with the terms and conditions of the original contracts entered into by our customers and our Group. If our customers and our Group disagree on any such valuations, contractual disputes may arise and we may have to incur costs to defend our Group in legal or arbitration proceedings. If we are unsuccessful in defending our Group in any such proceedings, we may be liable to pay damages. Our business operations, liquidity and financial position may be adversely affected.

Although we have maintained insurance policies and retained retention moneys from our subcontractors to cover some of the claims which may arise, the insurance coverage or money retained may not be sufficient to cover the claims. The outcome of a claim, which is subject to relevant parties' negotiations, decision of the court or relevant arbitration organisation, can be unfavourable to our Group. Should such claims fall outside of the scope and/or limit of our insurance coverage or retention moneys retained from our subcontractors, our business operations, liquidity and financial position may be adversely affected.

## RISK FACTORS

**Failure to comply with safety measures and procedures may lead to accidents, personal injuries, property damage or fatal accidents. Our insurance may not fully cover all the potential losses arising from our business**

We normally require our employees and our subcontractors' employees to comply with the applicable laws and regulations and observe our in-house rules and safety measures in relation to carrying out works at project sites. However, there is no assurance that our subcontractors will fully comply with the applicable laws and regulations and our in-house rules and safety measures. Please refer to the section headed "Regulatory Overview" in this prospectus for details of the applicable laws and regulations and the subsection headed "Business — Occupational Health and Safety" in this prospectus for details of our in-house rules and safety measures. Any non-compliance may result in serious personal injuries, property damage or fatal accidents, which may lead to interruption of our Group's operations and adversely affect our Group's financial condition.

There has been a certain degree of insurance coverage for the possibility of personal injuries, property damage or fatal accidents occurring during the implementation of our projects. During the Track Record Period, our Group was engaged either as a domestic subcontractor or a nominated subcontractor for our projects of installation and maintenance of fire safety systems. If our Group is engaged as a domestic subcontractor, our Group's customers or the main contractor are responsible for purchasing the contractors' all risk insurance policies covering the liabilities of our Group and those of our subcontractors arising out of the performance of the subcontracted works. If our Group is engaged as a nominated subcontractor, our Group is generally responsible for purchasing the contractors' all risk insurance policies for our employees as well as our subcontractors' employees. Such insurance policies generally extend throughout the entire duration of a contract, including the defect liability period following completion of the project. For details, please refer to the subsection headed "Business — Insurance" set out in this prospectus.

Nonetheless, there is no assurance that all potential damage or liabilities in relation to our business can be fully covered by insurance. If we suffer from any losses, damage or liabilities in the course of our business operations which fall outside the scope and/or limit of our insurance coverage, we may not have sufficient funds to cover such losses, damages or liabilities, which may have a material adverse effect on our business operations, liquidity and financial position.

**Our customers may cancel certain contracted works by variation orders resulting in a reduction of the total contract sum of the relevant project**

Our contracts generally provide for variation order clauses. Such variation orders can be for addition, modification or cancellation of the contracted works. In case of cancellation of any contracted works, the total contract sum of the relevant project will be reduced according to the rates and prices of such contracted works as stated in the schedule of rates.

There is no assurance that there would not be any cancellation or reduction of contracted works by our customers in the future. If any of our customers cancel or reduce the contracted works in a material manner resulting in a significant reduction of the total contract sum of the relevant project, our operations and financial results may be adversely affected.

## **RISK FACTORS**

### **Failure to maintain our reputation could adversely affect our business operations and financial condition**

We believe that the reputation and brand name that we have built up over the years play a significant role in enabling us to attract customers and secure projects. Promotion of our reputation and brand name depends largely on our ability to provide quality and timely service to our customers. If our customers no longer consider our products and services to be of a high quality, our reputation could be adversely affected which may in turn negatively affect our business operation and financial condition.

### **RISKS RELATING TO OUR INDUSTRY**

#### **We operate in a highly competitive industry**

We operate in the industry of installation and maintenance of fire safety systems, which is highly competitive, with 335 participants as of 1 December 2016. Some of our competitors may have more capital and human resources, and licences and qualifications, longer operating history, better business relationships with customers, stronger reputation and other forms of resources. Further, new participants with appropriate expertise and experience and necessary licences and qualifications may enter into the industry. We face competition from other industry participants in the tender submission process for installation and maintenance projects for fire safety systems. If we cannot adapt effectively to market conditions or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to our customers. There is no assurance that we will be able to maintain or enhance our competitiveness in the industry, or maintain or expand our customer base in the future. Failure to do so may lead to lower profit margins and loss of market share, which may adversely affect our profitability and operating results.

#### **We may incur significant additional compliance costs for any changes in the applicable laws, regulations and government policies, in particular the introduction of more stringent laws and regulations on the industry of installation and maintenance of fire safety systems**

Our business operations are governed by various laws, regulations and government policies, and in particular the requirements laid down by the Fire Services Department. To better ensure fire safety, in recent years, the Government has introduced stricter laws and regulations on the industry of installation and maintenance of fire safety systems. The Government may change such laws, regulations and government policies from time to time, including the requirements in respect of the granting and/or renewal of various licences and qualifications. Any such changes will increase our compliance costs, which may in turn materially and adversely affect our financial condition and business operations. If we fail to respond to the changes and meet the new requirements in a timely manner or at all, our reputation may be damaged and our business operations may be adversely and materially affected.

### **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 indicative range of the Offer Price was determined as a result of negotiations between the Joint Bookrunners and our Company. The Offer Price may differ significantly from the market price of our Shares following the Share Offer.

## RISK FACTORS

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, nor 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. Factors such as variations in our revenue, earnings and cash flow and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

In addition, shares of other comparable 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 Offer Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future**

One of the benefits to our Company upon Listing is the access to the capital market and our Group may raise additional funds to finance future expansion of our business, operations or acquisitions. Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by issuing new equity or equity-linked securities of our Company and such fund-raising exercises may not be conducted on a pro rata basis to our then existing Shareholders. As such, the shareholding of our then Shareholders may be reduced or diluted and subject to the terms of the issue of the new securities, the new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary shares are issued upon the exercise of share options under the Share Option Scheme. In this regard, you may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

### **The interests of our Controlling Shareholders may not always coincide with the interests of our Group and those of our other Shareholders**

Upon completion of the Share Offer (but not taking into account the allotment and issue of Shares upon exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), our Controlling Shareholders will own, in aggregate, approximately 52.51% of our Shares. Our Controlling Shareholders will therefore have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other

## RISK FACTORS

Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, the interests of our Group or of those other Shareholders may be adversely affected as a result.

### **RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS**

#### **Prospective investors should not place undue reliance on industry and market overview and statistics derived from official government publications contained in this prospectus**

Certain statistics, facts, data and forecasts presented in the section headed "Industry Overview" and elsewhere in this prospectus including those relating to Hong Kong, the Hong Kong economy and the industry of installation and maintenance of fire services systems have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. Our Group, our Directors, the Sole Sponsor or any of the parties involved in the Share Offer have not verified such statistics, facts, data and forecasts and give no representation as to their accuracy and completeness. As such, potential investors should not place undue reliance on such information.

#### **Our Group's future results could differ materially from those expressed in or implied by the forward-looking statements**

This prospectus includes various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-Looking Statements" in this prospectus.

#### **Investors should read this entire prospectus carefully and are strongly cautioned not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward-looking statements**

Prior to the publication of this prospectus, there may be press or other media disclosing certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Underwriters, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "**Professional Parties**") involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. 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 not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making their decision as to whether to subscribe for the Offer Shares and should rely only on the information contained in this prospectus.

## 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 (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Copies of this prospectus required by the GEM Listing Rules and the Companies (WUMP) Ordinance are available, for information purposes only, during normal office hours from 9:00 a.m. to 5:00 p.m. at the office of Dakin Capital from 31 March 2017 to 14 April 2017 (both dates inclusive).

### INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in this Share Offer. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or that implies that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

### INFORMATION ON THE SHARE OFFER

Issuer	WINDMILL Group Limited
Share Offer	<p>The Share Offer of (i) initially 20,000,000 new Shares for subscription by the public in Hong Kong (subject to reallocation) under the Public Offer and (ii) initially 180,000,000 new Shares (subject to re-allocation and the Offer Size Adjustment Option) under the Placing.</p> <p>If the Offer Size Adjustment Option is exercised in full, our Company will be issuing up to 230,000,000 new Shares in the Share Offer.</p>
Offer Price range	Not more than HK\$0.4 per Share and not less than HK\$0.2 per Share

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Offer Size Adjustment Option	the option expected to be granted by the Company to the Placing Underwriters, exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) on or before 13 April 2017, at their and absolute discretion under the Placing Underwriting Agreement to require the Company to issue up to an additional 30,000,000 Shares, representing 15.0% of the initial number of the Offer Shares, at the Offer Price, details of which are described in the section headed “Structure and Conditions of the Share Offer — Placing — Offer Size Adjustment Option” in this prospectus
Conditions of the Public Offer	Details of the conditions of the Public Offer are set out in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and Conditions of the Share Offer” in this prospectus.
Lock-up undertakings by our Company and the Controlling Shareholders	Please refer to the subsection headed “Underwriting — Undertakings” in this prospectus.
Restrictions on sale of Offer Shares in Hong Kong	<p>Each person acquiring the Offer Shares will be required to confirm or will be deemed by his/her acquisition of the Offer Shares to confirm that he/she is aware of the restrictions on the offering of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions. Save as mentioned above, no action has been taken in any jurisdiction other than in Hong Kong to permit an offering of the Offer Shares or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.</p> <p>The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.</p>

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

### Share Registrar and stamp duty

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Transfers of the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

Our Company's Hong Kong branch register of members will be maintained by Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, whereas our principal register of members will be maintained by Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

### Professional tax advice recommended

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of us, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Share Offer accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

### Application for listing on the Stock Exchange

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer (including any Shares to be issued under the Offer Size Adjustment Option, the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme). No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.



## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

### Eligibility for CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

All necessary arrangements have been made for our Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangements and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

### Rounding of figures

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

### Commencement of dealing in the Shares

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Tuesday, 18 April 2017. Shares will be traded in board lots of 10,000 Shares each.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Li Shing Kuen Alexander (李誠權) ( <i>Chairman and chief executive officer</i> )	Flat A, 17/F, Block D The Grandville 2 Lok Kwai Path Fo Tan, New Territories Hong Kong	Chinese
Mr. Poon Kwok Kay (潘國基)	Room 16, 4/F Block P, Telford Garden 33 Wai Yip Street Kowloon Bay Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Cheung Wai Hung (張偉雄)	30/F, Block 47 Baguio Villa 550 Victoria Road Hong Kong	Australian
<i>Independent non-executive Directors</i>		
Mr. Pun Kin Wa (潘建華)	Flat A, 47/F Block 2 80 Robinson Road Hong Kong	Chinese
Mr. Tsang Man Biu (曾文彪)	Flat H, 20/F Tower 125 11 Po Yan Street Tai Ping Shan Hong Kong	Chinese
Mr. Lee Kwok Tung Louis (李國棟)	Flat B, 16/F, Tower 1 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong	Chinese

*For detailed information of our Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.*

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED

#### Sole Sponsor

#### **Dakin Capital Limited**

*(a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO)*

Room 2701, 27/F  
Tower I, Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

#### Financial Adviser to our Company

#### **Opus Capital Limited**

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

18/F, Fung House  
19–20 Connaught Road Central  
Central  
Hong Kong  
*(Note)*

#### Joint Bookrunners and Joint Lead Managers

#### **Dakin Securities Limited**

*(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities under the SFO)*

Room 2701, 27/F  
Tower I, Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

#### **Get Nice Securities Limited**

*(a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*

10/F Cosco Tower, Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

*Note: Opus Capital is the financial adviser to our Company in relation to the Listing. Principal functions performed by Opus Capital include reviewing relevant documentation, advising our Company on, amongst other things, the business, financial positioning and future business development of our Group. The total advisory fees for the relevant services charged by Opus Capital was HK\$2 million, all were payable after the Track Record Period (HK\$1.32 million out of which has been paid up to December 2016 and the remaining HK\$0.68 million would be payable upon Listing). The role of Opus Capital was different from that of the Sole Sponsor in that the role of Opus Capital focuses more on the provision of corporate finance advisory services relating to the business, financial positioning and future business development; whereas the role of Sole Sponsor is to ensure the application for Listing fulfills the requirements of, inter alia, the GEM Listing Rules and other applicable requirements. The Sole Sponsor has performed its own due diligence and undertaken the overall responsibility of the Listing exercise.*

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### **Opus Capital Limited**

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

18/F, Fung House  
19–20 Connaught Road Central  
Central  
Hong Kong

### **Underwriters**

### **Dakin Securities Limited**

Room 2701, 27/F  
Tower I, Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

### **Get Nice Securities Limited**

10/F Cosco Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

### **Opus Capital Limited**

18/F, Fung House  
19–20 Connaught Road Central  
Central  
Hong Kong

### **Legal advisers to our Company**

### *As to Hong Kong law*

### **Iu, Lai & Li Solicitors & Notaries**

Rooms 2201, 2201A & 2202  
22nd Floor, Tower I  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

### *As to Hong Kong law*

### **Mr. Chung Kin Hong, Kenneth Barrister-at-law of Hong Kong**

10/F, New Henry House  
10 Ice House Street  
Central  
Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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	<i>As to Cayman Islands law</i> <b>Conyers Dill &amp; Pearman</b> Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Legal advisers to the Sole Sponsor and the Underwriters</b>	<i>As to Hong Kong law</i> <b>Deacons</b> 5th Floor Alexandra House 18 Chater Road Central Hong Kong
<b>Auditors and reporting accountants</b>	<b>SHINEWING (HK) CPA Limited</b> 43/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Tax advisor</b>	<b>SHINEWING Tax and Business Advisory Limited</b> 43/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Industry consultant</b>	<b>China Insights Consultancy Limited</b> 10/F, Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai China
<b>Receiving bank</b>	<b>DBS Bank (Hong Kong) Limited</b> 16/F, The Centre 99 Queen's Road Central Central Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Cricket Square Hutchins Drive PO Box 2681, Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Unit 1509, 15/F Chevalier Commercial Centre 8 Wang Hoi Road, Kowloon Bay Kowloon Hong Kong
<b>Company's website</b>	www.windmill.hk (information contained in this website does not form part of this prospectus)
<b>Company secretary</b>	Ms. Ho Wing Yan ( <i>ACIS, ACS(PE)</i> ) Room 2609 Seung Lai House Lai Chi Kok Kowloon Hong Kong
<b>Authorised representatives</b> <i>(for the purpose of the GEM Listing Rules)</i>	Mr. Li Shing Kuen Alexander Flat A, 17/F, Block D The Grandville 2 Lok Kwai Path Fo Tan, New Territories Hong Kong  Ms. Ho Wing Yan ( <i>ACIS, ACS(PE)</i> ) Room 2609 Seung Lai House Lai Chi Kok Kowloon Hong Kong
<b>Compliance officer</b>	Mr. Li Shing Kuen Alexander
<b>Audit committee</b>	Mr. Pun Kin Wa ( <i>Chairman</i> ) Mr. Tsang Man Bui Mr. Lee Kwok Tung Louis
<b>Remuneration committee</b>	Mr. Tsang Man Bui ( <i>Chairman</i> ) Mr. Pun Kin Wa Mr. Lee Kwok Tung Louis

## CORPORATE INFORMATION

<b>Nomination committee</b>	Mr. Li Shing Kuen Alexander ( <i>Chairman</i> ) Mr. Tsang Man Biu Mr. Lee Kwok Tung Louis
<b>Risk management committee</b>	Mr. Li Shing Kuen Alexander ( <i>Chairman</i> ) Mr. Poon Kwok Kay
<b>Compliance adviser</b>	<b>Dakin Capital Limited</b> <i>(a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO)</i> Room 2701, 27/F Tower I, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
<b>Principal share registrar</b>	<b>Codan Trust Company (Cayman) Limited</b> Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111
<b>Hong Kong Branch Share Registrar</b>	<b>Tricor Investor Services Limited</b> Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal banker(s)</b>	<b>DBS Bank (Hong Kong) Limited</b> 16/F, The Centre 99 Queen's Road Central Central Hong Kong

## INDUSTRY OVERVIEW

*The information presented in this section is, including certain facts, statistics and data, derived from the CIC Report, which was commissioned by us and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy, completeness or fairness. The information and statistics may not be consistent with other information and statistics compiled within or outside of Hong Kong. As a result, excessive reliance on the information contained in this section shall be avoided.*

### SOURCE OF INFORMATION

We have commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct an analysis of, and to report on the Hong Kong's fire safety industry for the period from 2010 to 2020 (forecast). The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is HK\$370,000, which we consider reflects market rates for similar services. CIC is a consulting firm founded in Hong Kong. It provides professional industry consulting across multiple industries. CIC's services include but not limited to industry consulting service, commercial due diligence and strategic consulting.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and CIC is an independent professional market research company with extensive experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as International Monetary Fund and Hong Kong Census and Statistics Department. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics to be reliable.

### ASSUMPTIONS

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) the overall social, economic and political environment in Hong Kong are expected to remain stable; (ii) Hong Kong's economy is likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the Hong Kong's fire safety industry in the forecast period, such as ongoing mega public infrastructure projects, more private sector projects, redevelopment and rehabilitation of aging buildings, stringent fire safety laws and regulations, and increasing public awareness of fire safety; and (iv) there is no extreme force majeure or industry regulations in which the markets may be affected dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors.



## INDUSTRY OVERVIEW

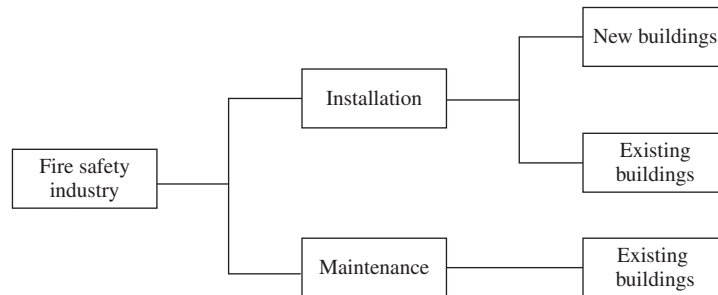
The CIC Report mainly focuses on the Hong Kong market, being the main jurisdiction in which our business is located. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report.

### OVERVIEW OF THE FIRE SAFETY INDUSTRY IN HONG KONG

#### Overview of fire safety industry

Fire safety industry consists of qualified companies, which provide fire safety systems contracting services with the major purpose of reducing the damages and injuries that are caused by fire.



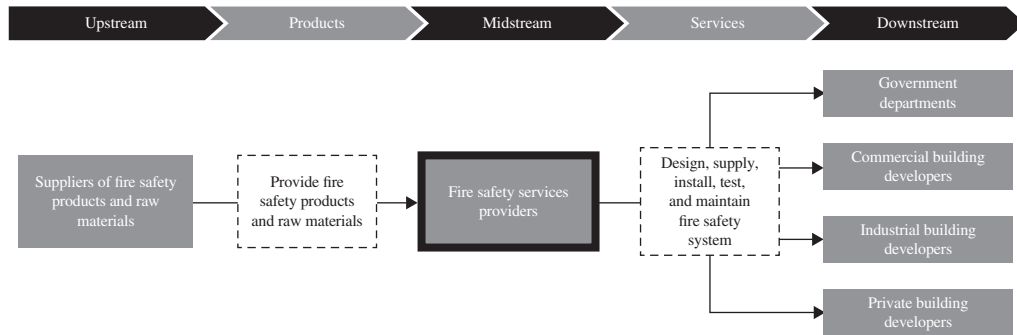
The service categories of fire safety industry can be mainly divided into installation services and maintenance services.

**Installation:** Before the installation procedure, the fire safety companies usually design the fire prevention systems and purchase the proper products and raw materials according to Fire Services Ordinance and the requirements of Fire Services Department and customers. Then, the companies send professional technical personnel to execute installation process according to the construction plan. After installation, the professional technical engineers carry out testing process to verify the system before it is put into effect.

**Maintenance:** After the system is put into operation, the fire safety companies provide testing and detection services according to the Fire Services Ordinance and instructions from customers.

# INDUSTRY OVERVIEW

## Value chain analysis of fire safety industry

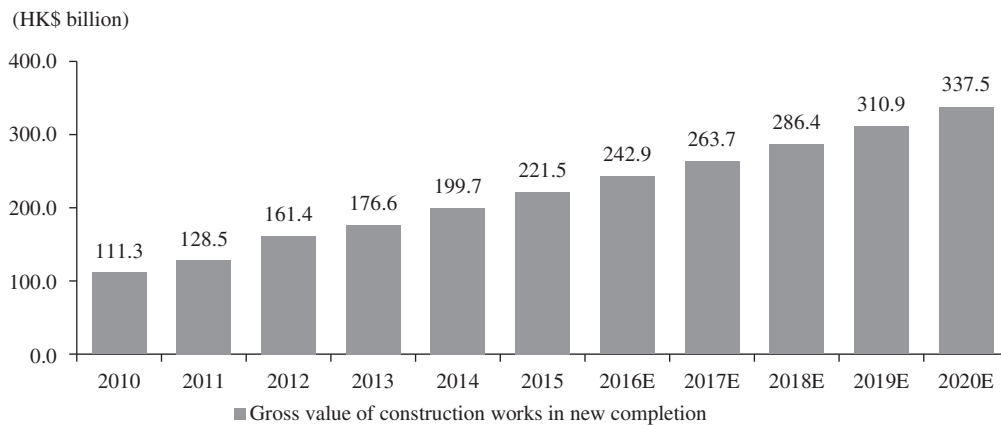


## Gross value of construction works in new completion in Hong Kong

As a result of the recovery of Hong Kong economy, the launch of residential supply plan in private sector, the high demand for commercial buildings for both business and leisure purposes, the commencement of the Ten Major Infrastructure Projects, as well as the continuous public housing programmes, the gross value of construction works in new completion has been experiencing an increasing trend between 2010 and 2015, from HK\$111.3 billion to HK\$221.5 billion, with a CAGR of 14.8%.

The economy of Hong Kong has maintained a steady growth over the past. Nominal GDP of Hong Kong grew from HK\$1,776.3 billion in 2010 to HK\$2,397.1 billion in 2015. According to the International Monetary Fund, nominal GDP of Hong Kong is forecasted to reach HK\$2,890.9 billion in 2020, representing a CAGR of 3.8% from 2015 to 2020. Furthermore, the Government has mentioned in its 2016 policy address that it will (i) increase land supply for the construction of public housing to satisfy public demand; and (ii) continue to carry out various mega infrastructure projects to maintain the competitiveness of Hong Kong. Together with the upcoming construction projects of the private sector, it is expected that the gross value of construction works in new completion will reach HK\$337.5 billion in 2020 with a CAGR of 8.8% from 2015 to 2020.

### Gross value of construction works in new completion, Hong Kong, 2010–2020E



Source: Hong Kong Census and Statistics Department; CIC

## INDUSTRY OVERVIEW

### Total revenue of the fire safety industry in Hong Kong

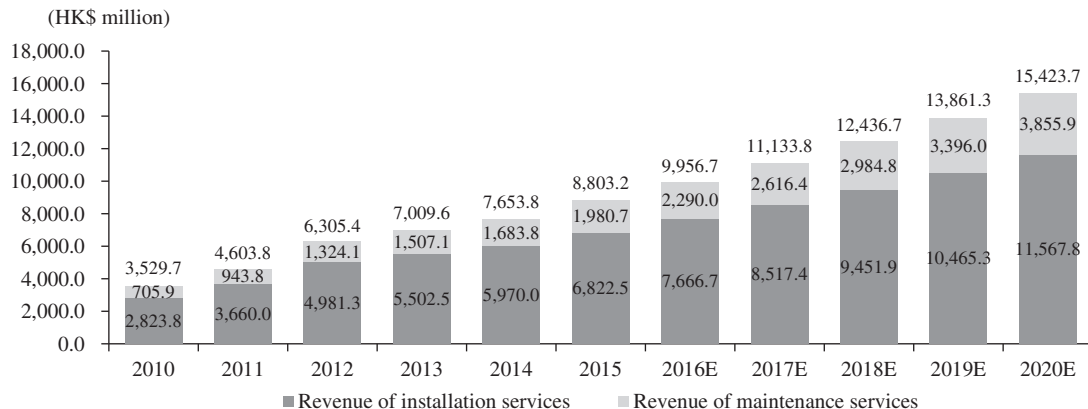
The total revenue of Hong Kong fire safety industry is directly correlated to the level of construction activities, which is in turn affected by the government policies on public housing, infrastructure development, redevelopment and rehabilitation of aging buildings and fire safety laws and regulations as well as private sector investments.

From 2010 to 2015, the total revenue of Hong Kong fire safety industry has increased from HK\$3,529.7 million to HK\$8,803.2 million, with a CAGR of 20.1%. Around 80% of the total revenue of Hong Kong fire safety industry was contributed by installation services and the remaining portion was contributed by the maintenance services.

The rising trend of industry revenue is in line with the increasing gross value of construction works in Hong Kong illustrated above, and also reflects the increasing needs to maintain existing buildings. Since 2008, the Government has been putting efforts on repairing and rebuilding old buildings and it has granted HK\$3.5 billion to repair 3,000 old buildings from 2009 to 2015.

Large quantity of ongoing public and private projects will further stimulate the demand for fire service installation and maintenance services. It is expected that the total revenue of Hong Kong fire safety industry will reach HK\$15,423.7 million in 2020, with a CAGR of 11.9% from 2015 to 2020.

**Total revenue of fire safety industry, Hong Kong, 2010–2020E**



Source: CIC

### **Installation segment:**

From 2010 to 2015, around 80% of the total revenue of fire safety industry consisted of installation segment. As mentioned above, the boom of construction industry and the continuous old building renovation programmes have stimulated the demand for fire safety system installation and improvement services. In addition, some of the commercial building developers were also willing to improve their fire safety systems voluntarily to offer a safer environment to their customers. From 2016 to 2020, the flourish of construction industry, the aging of existing buildings, and the government and public's awareness towards fire safety are expected to further stimulate the growth of fire safety installation segment. The revenue of installation services is expected to reach HK\$11,567.8 million by 2020, representing a CAGR of 11.1% from 2015 to 2020.

## INDUSTRY OVERVIEW

### ***Maintenance segment:***

Comparing to installation segment, maintenance segment was experiencing a more significant growth from 2010 to 2015. The rapid growth was mainly fuelled by government building renovation programmes and frequent government inspections. From 2016 to 2020, the proportion of maintenance segment in terms of revenue is expected to keep on growing, and reach around 25% in 2020. According to Urban Renewal Authority, about 28% of the buildings aged 30 years or above were in “poor” or “varied” conditions in 2014. The Urban Renewal Authority expects that this number will drop markedly to around 9% by providing financial assistance and technical support to the owners/occupants to redevelop or rehabilitate their aged buildings. Fire Services Department also intends to conduct more inspections in terms of both frequency and building type coverage in the future. As a result, the revenue from maintenance services is expected to grow more rapidly than which of installation services, representing a CAGR of 14.3% from 2015 to 2020.

### **MARKET ANALYSIS OF FIRE SAFETY INDUSTRY IN HONG KONG**

#### **Market drivers**

- i. Ongoing mega public infrastructure projects:* The Government estimated that the public infrastructure expenditure will be over HK\$7.5 billion annually in the next few years. The table below sets out some of the ongoing and proposed sub-projects of the Ten Major Infrastructure Projects in Hong Kong announced by the Government in 2007:

	<b>Description</b>	<b>Investment</b>	<b>Period</b>
Xiqu Centre (戲曲中心)	Xiqu Centre is the first major performing arts venue in the West Kowloon Cultural District. It will include two auditoriums with 1,100 seats and 400 seats respectively, as well as a 280 seat tea house theatre.	Around HK\$2.6 billion	2013–2018
Kai Tak Hospital (啟德醫院)	Kai Tak Hospital is one of the projects of Kai Tak Development. The hospital is planned to provide around 24,000 square metres of new space with 800 hospital beds.	Over HK\$10 billion	2017–2021
Shatin to Central Link (沙田至中環線)	The Shatin to Central Link is one of the strategic railway lines recommended in the Railway Development Strategy 2000. It will traverse several districts including the New Territories, Kowloon and Hong Kong Island.	Around HK\$37.4 billion	2012–2021

Most of the ongoing and proposed sub-projects require fire safety systems to ensure the fire safety in public areas, so it is expected that the mega public infrastructure projects will continue to stimulate Hong Kong fire safety industry in the following years.

## INDUSTRY OVERVIEW

- ii. *More private sector projects:*** Property developers are required to obtain consent from the Buildings Department before the commencement of private building construction. According to the Buildings Department, the gross floor area of private buildings that were granted consent for work commencement dramatically increased from 1.2 million square metres in 2014 to 2.5 million square metres in 2015. Large-scale construction projects that were granted consent for construction in 2015 included two hotels in Hong Kong Island and five data centres. As compared with other types of buildings, data centres are equipped with more advanced fire safety systems (such as gas sprinklers) in order to protect the electronic equipment and the important information stored inside. These fire safety systems are generally more expensive and require experienced fire service installation contractors to install and maintain. It is expected that the upcoming private sector projects will increase the demand for fire safety installation and maintenance services.
- iii. *Redevelopment and rehabilitation of aging buildings:*** Hong Kong has been facing the problem of urban decay with the rapidly increasing number of aging buildings. According to the Development Bureau, Hong Kong had approximately 6,200 buildings aged 50 years or above in 2014, and it is expected that the number will increase by 600 a year in the next decade. In order to improve the living conditions of residents in urban areas, the Government adopted the urban renewal strategy which aims to rejuvenate decaying urban areas by way of redevelopment and rehabilitation. Redevelopment involves the demolition of aging buildings and construction of new ones. According to Urban Renewal Authority 2014–2015 Annual Report, up until 31 March 2015 the redevelopment projects have provided around 15,000 new flats and 455,000 square metres of new space in the past year. On the other hand, rehabilitation is intended to extend the useful lives of aging buildings that are currently in good conditions and it offers speedy improvements to the living environment of the residents. It is expected that the aforesaid urban renewal strategy will support the demand for fire system installation and maintenance services.
- iv. *Stringent fire safety laws and regulations:*** To comply with the Fire Safety Ordinance, building owners/occupants must appoint a registered fire service installation contractor to install fire safety system and carry out inspection at least once every 12 months. The Fire Services Department is responsible for carrying out inspections on whether the fire safety system of a building meets the requirements under the Fire Safety Ordinance. In 2015, Fire Services Department conducted 370,614 inspections, representing an increase of 15% as compared with 322,425 inspections in 2014. Building owners/occupants are guilty of an offence and subject to penalties if they fail to comply with the Fire Safety Ordinance. As a result, the strict government regulation will drive the demand for the fire safety installation and maintenance services.
- v. *Increasing public awareness of fire safety:*** From 2010 to 2015, there were over 6,000 fire accidents each year, which commonly occurred in residential buildings and housing estates. To reduce the risk of personal injury, death and property damage arising from fire accidents, the Government has implemented relevant laws and regulations in respect of compulsory installation and maintenance of fire safety systems in new and existing buildings. In addition, Fire Services Department has been putting efforts on spreading fire prevention and protection knowledge to the public by holding various activities and workshops. Several historic disastrous fires also remind the public about the importance of fire safety, which supports the demand for fire safety installation and maintenance services.

## INDUSTRY OVERVIEW

### Entry barriers

- i. Proven track record:* A proven track record is critical to the success of a fire service installation contractor. Customers from the public and private sector generally maintain a list of approved fire service installation contractors, and would only invite the on-list contractors to submit tenders. To assess whether a contractor is qualified to be on-list, customer would request the contractor to provide various information, including but not limited to work reference, qualification and financial statements. As it takes time to build up business reputation and accumulate project experience, it is difficult for new entrants to compete with the existing reputable and experienced market participants.
- ii. Qualifications for public and private works:* It is a prerequisite for a fire service installation contractor to register with the Fire Services Department before carrying out any business operations. However, the registration with the Fire Services Department only entitles the fire service installation contractor to provide services to customers of the private sector. Public sector tends to adopt a higher safety standard and requires fire service installation contractors to be on the list of the Development Bureau in order to tender for public works. For details of the registration with the Fire Services Department and the application for a qualified contractor of public works, please refer to the section headed “Regulatory Overview” in this prospectus.
- iii. Established relationship with subcontractors and suppliers:* Fire service installation contractors rely on subcontractors to carry out certain labour intensive works of projects and suppliers for the provision of fire safety products and other materials. An established relationship with subcontractors and suppliers is essential to ensure that (i) the timing and quality of work performed by subcontractors and the products delivered by suppliers can meet customers’ expectations; and (ii) the price charged by subcontractors and suppliers is reasonable. New entrants take time to build up relationship with subcontractors and suppliers.

### Industry threats

- i. Increasing labour cost:* The construction industry is labour intensive, and hence labour is considered as a major cost for the fire service contractors. However, the Hong Kong labour price was continuously increasing in the past few years as a result of government policy of minimum wage. Due to the increasing labour cost, the fire service contractors will create a more cost-efficient and smoother working process, such as building central pre-fabrication and pre-cast piping workshops. Tailor cutting ancillary raw materials to the fire safety system such as water pipes and hose for automatic sprinkler systems and fire proof boards into desired measurement is part of the tedious preparation procedures for installation of fire safety system onsite. Unlike developed western countries with advanced working process, it is the current market practice in Hong Kong to process the cutting onsite. Due to the increasing labour costs, there is a demand for such a service and supply which promotes cost efficiency and facilitates smoother working process.

## INDUSTRY OVERVIEW

- ii. **Shortage of skillful labour due to aging working population and young generation is unwilling to enter the industry:** Due to aging working population, fire safety industry in Hong Kong is facing the threat of labour shortage. Moreover, young generation is unwilling to enter the construction industry as they prefer to work in a more comfortable and safer environment. As a result, it is hard for the fire safety industry to counteract the threats of the labour aging problem and the shortage of skillful labour problem.

### Historical price of key raw materials and labour

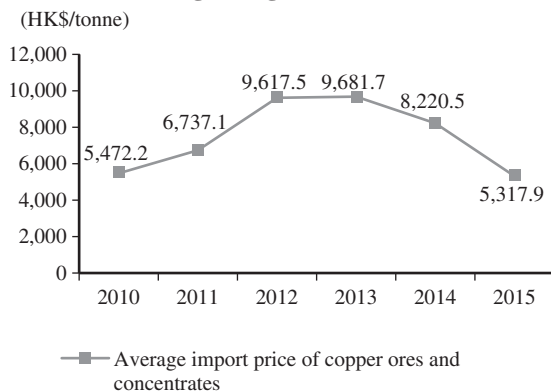
#### *Copper and galvanized steel*

The main raw materials used by fire safety industry are power cables, water pipes & fittings, and cable conduits. Power cables are made of copper, while water pipes & fittings and cable conduits are both made of galvanized steel.

From 2010 to 2013, the average import price of copper ores and concentrates increased from HK\$5,472.2/tonne to HK\$9,681.7/tonne, with a CAGR of 20.9%. However after 2013, as a result of the decrease in demand from China and the appreciation of United States dollar, copper price decreased dramatically back to the level in 2010, at HK\$5,317.9/tonne in 2015, with a negative CAGR of 25.9%.

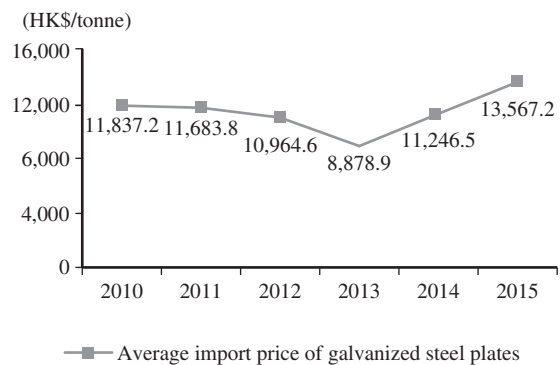
Due to excessive supply from 2010 to 2013, the average import price of galvanized steel plates experienced an opposite trend to the price of copper. Between 2010 and 2013, the average import price of galvanized steel plates dropped from HK\$11,837.2/tonne to HK\$8,878.9/tonne, representing a negative CAGR of 9.1%. This figure then bounced back to HK\$13,567.2/tonne in 2015, with a CAGR of 23.6% from 2013 to 2015.

**Average import price of  
copper ores and concentrates,  
Hong Kong, 2010–2015**



Source: United Nations

**Average import price of  
galvanized steel plates,  
Hong Kong, 2010–2015**



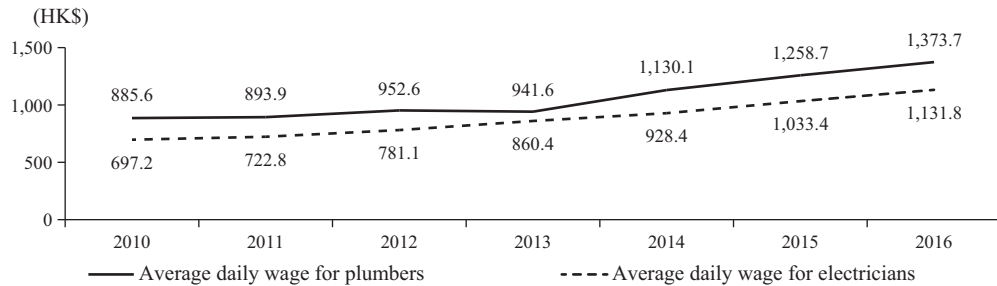
Source: United Nations

## INDUSTRY OVERVIEW

### *Average daily wages of plumbers and electricians in Hong Kong*

Plumbers and electricians are the common types of labor hired in the fire safety industry. From 2010 to 2016, the average daily wage for plumbers increased from HK\$885.6 to HK\$1,373.7, with a CAGR of 7.6%; and the average daily wage for electricians increased from HK\$697.2 to HK\$1,131.8, with a CAGR of 8.4%.

**Average daily wages of plumbers and electricians, Hong Kong,  
2010–2016**



Source: Hong Kong Census and Statistic Department

## COMPETITIVE LANDSCAPE OF FIRE SAFETY INDUSTRY IN HONG KONG

According to the CIC Report, the fire safety market in terms of revenue is relatively fragmented, as a large portion of market participants are small to medium sized companies. As of 1 December 2016, there are 335 fire service installation contractors registered with the Fire Services Department. The total revenue of the fire safety industry in 2015 amounted to approximately HK\$8,803.2 million, of which top ten registered fire service installation contractors accounted for approximately 24.2%. Our Group ranked ninth with a market share of approximately 1.4% in 2015. Given the fragmentation of the fire safety industry, the registered fire service installation contractors are under intense pressure to compete for business and they differentiate themselves from the competitors by their industry experience, proven track record and established relationships with customers, suppliers and subcontractors.

Among the 335 registered fire service installation contractors, only 17 and 38 fire service installation contractors were admitted by the Development Bureau as specialist contractors under Group I (eligible to tender for contracts up to HK\$2.3 million) and Group II (eligible to tender for contracts of unlimited value) of the fire service installation category on the List of Approved Contractors for Public Works, respectively. Furthermore, there are only 16 approved fire service and water pump contractors that can tender for the contracts of Housing Authority. Being qualified to tender for public works enables a registered fire service installation contractor to have a more diversified customer base, which creates more business opportunities.



## INDUSTRY OVERVIEW

### Top ten registered fire service installation contractors in Hong Kong

Rank	Name of Company	Key service and product scope	Fire safety revenue in Hong Kong in 2015 <i>(Note 1)</i> (HK\$ million)	Market share (%)
1	Company A	Provision of security services and fire safety services.	310.0	3.5%
2	Company B	Provision of facilities management, building maintenance, asset enhancement, electrical and mechanical equipment and architectural fitting, and also design, supply & installation of electrical and mechanical systems.	300.0	3.4%
3	Company C	Buildings works, such as air systems, heating, ventilation and air conditioning controls and equipment, security and fire safety system.	280.0	3.2%
4	Company D	Building services, environmental engineering, data centre infrastructure, transport equipment.	250.0	2.8%
5	Company E	Provision of electrical and mechanical engineering services and environmental engineering, property and facility management services, and insurance consultancy services.	230.0	2.6%
6	Company F	Provision of electrical and mechanical engineering services, including electrical installation, air-conditioning, fire prevention, plumbing and drainage, building automation systems, and engineering maintenance services.	210.0	2.4%
7	Company G	Provision of building services including electrical, mechanical, ventilation and air-conditioning, fire services, plumbing & drainage, building management systems and extra low voltage systems.	180.0	2.0%
8	Company H	Supply, installation, maintenance, and modification of plumbing and drainage system, electrical supply and distribution system, air conditioning and air distribution system.	160.0	1.8%
9	Our Group	Installation and maintenance of fire safety systems.	123.0 <i>(Note 2)</i>	1.4%
10	Company I	Fire safety system installation and maintenance, plumbing and drainage installation, air condition installation and electrical installation.	100.0	1.1%
Others			6,660.2	75.8%
Total			8,803.2	100.0%

*Source: CIC*

*Notes:*

1. The industry revenue and respective companies' revenue in 2015 refer to the revenue generated from provision of fire safety services in Hong Kong from January 2015 to December 2015.
2. Revenue of the Group refers to the total revenue generated from provision of fire safety services from 1 May 2015 to 30 April 2016.

## INDUSTRY OVERVIEW

### *Success factors of fire safety industry in Hong Kong*

- i. Proven record of serving famous architectural and structural engineering companies:* It is a key success factor for companies to have proven track record of providing high quality service to famous architectural and structural engineering companies in the competitive marketplace. The good reputation built from these projects will enable contractors to attract more architectural and structural engineering companies or regulators to adopt their services.
- ii. Experienced and qualified technical personnel:* Fire safety market requires highly experienced professionals to make case-sensitive judgments and careful supervision of significant stages of the fire safety projects. Any errors could lead to possible safety issues of the client and adverse effects on the image of the businesses owners. Therefore, it is important for fire service installation contractors to attract and hire experienced and qualified technical personnel to provide technical know-how for their fire safety installation, inspection and maintenance projects.
- iii. Management capability on cost and time performance:* Management capability on cost and time performance requires knowledge of cost management as well as an understanding of design and installation process. As fire safety installation projects usually have a specific set of objectives and constraints such as a required time frame for completion, successful contractors should be able to direct and coordinate human and material resources effectively. Furthermore, the increasing cost of outsourcing labour in Hong Kong has been negatively impacted contractors' profitability regarding the installation and maintenance of fire safety. Hence, it is important for contractors to adopt cost-effective strategies to improve economics, and increase efficiency at the project and company level.
- iv. Solid financial support:* Sufficient capital flow is necessary to tender for fire safety works in public sector. If the contractor who has employed capital and working capital not less than HK\$4.2 million respectively, would like to become the approved contractor in Group II of Hong Kong Development Bureau and approved contractor of Housing Authority, they are required to maintain minimum working capital equivalent to 10% of the combined annual value of uncompleted works on all outstanding contracts on hand. Additionally, extra capital is also needed for the operation and management of larger scale of projects.

For further details of our Group's competitive strengths, please refer to the subsection headed "Business — Competitive Strengths" in this prospectus.

# REGULATORY OVERVIEW

## OVERVIEW

Our operations are subject to various laws, rules, regulations and policies in Hong Kong where we operate. This section sets out summaries of certain aspects of Hong Kong laws, rules, regulations and policies which are relevant to our Group's operation and business.

## LAWS AND REGULATIONS

### (A) Contractor Licensing and Registration Regime

#### *1. Basic Requirements for Undertaking Fire Services Installation Works in Public and Private Sectors*

The registration of fire service installation contractors is governed by Fire Service (Installation Contractors) Regulations. Under Regulation 3(1), a contractor may apply to the Director of Fire Services to register as a fire service installation contractor in class 1 and class 2 if it has at least a director, partner or employee who is:

- (a) 21 years of age or more;
- (b) resident in Hong Kong; and
- (c) holding qualifications specified in Regulation 4(2) and (3) of the Fire Service (Installation Contractors) Regulations.

Any person, who is 21 years of age or more and resident in Hong Kong, may apply to the Director of Fire Services for registration as a fire service installation contractor in class 3 and the Director of Fire Services shall notify him of the day fixed for a written examination or interview and for a workshop inspection.

The classification of registered fire service installation contractors are as follows:

- (a) Class 1: registered contractors who are fit to install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) which contains an electrical circuit or other apparatus for the detection and warning, by alarm or otherwise, of smoke or fire;
- (b) Class 2: registered contractors who are fit to install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) which contains:
  - (i) pipes and fittings designed or adapted to carry water or some other fire extinguishing medium; or
  - (ii) any type of electrical apparatus other than those specified in Class 1.
- (c) Class 3: registered contractors who are fit to maintain, repair and inspect portable equipment.

## REGULATORY OVERVIEW

As at the Latest Practicable Date, Windmill Engineering was a registered fire service installation contractor in Class 1 and Class 2 and a full time employee of Windmill Engineering was registered in Class 3 under the Fire Service (Installation Contractors) Regulations. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the registrations of Windmill Engineering and the relevant employee as a fire services installation contractor in Classes 1, 2 and (as the case may be) 3 have not been suspended or revoked by the Fire Services Department and Windmill Engineering and the relevant employee has met the applicable criteria and requirements on retention on the registers.

Pursuant to Regulation 10 of the Fire Service (Installations and Equipment) Regulations, the Director of Fire Services has published the Code of Practice for Inspection, Testing and Maintenance of Installations and Equipment to govern the inspection and testing of fire service equipment. The said code of practice (i) indicates the type and nature of inspections and tests which installations and equipment (such as fire alarm system, exit sign and emergency lighting, etc.) must normally pass in order to satisfy the Director of Fire Services; and (ii) gives guidance as to the conduct of inspections and tests.

Pursuant to Regulation 10 of the Fire Service (Installations Contractors) Regulations, a registered fire service installation contractor who undertakes any work in connection with fire service installation or equipment outside his registered class, shall be guilty of an offence and liable on conviction to a fine at level 3 (currently at HK\$10,000.0).

According to Regulation 3A and Regulation 9 of Fire Service (Installations and Equipment) Regulations, whenever a registered fire service installation contractor installs, maintains, repairs or inspects any fire service installation or equipment in any premises, he shall within 14 days after completion of the work issue to the person on whose instructions the work was undertaken a certificate and forward thereof to the Director of Fire Services. The said certificate shall be signed by such director, employee or other officer of such registered contractor (in the case of a company) as the registered contractor may appoint. Any person who signs a certificate which is false or misleading in any material particular commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000.0). A registered fire service installation contractor who (a) fails to issue the said certificate and forward a copy thereof to the Director of Fire Services; or (b) issues or forwards such certificate, or a copy thereof, which is false or misleading in a material particular, also commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000.0).

Pursuant to Regulation 10 of Fire Service (Installation Contractors) Regulations, where the disciplinary board (appointed under Regulation 9 of Fire Service (Installation Contractors) Regulations) is satisfied that a registered fire service installation contractor has been convicted of an offence or has been guilty of improper conduct or negligence in the installation, maintenance, repair or inspection of any fire service installation or equipment, the disciplinary board may order (a) that the name of the registered fire service installation contractor be removed, either permanently or for such period as it thinks appropriate, from the register; or (b) that the registered fire service installation contractor be reprimanded.

## REGULATORY OVERVIEW

### 2. *Specific Requirements for Undertaking Fire Services Installation Works in Public Sector*

According to the *Contractor Management Handbook (Revision B)* by the Development Bureau, a contractor intending to undertake public works must first apply for inclusion in either the List of Approved Contractors for Public Works (“**the List**”) or the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (“**the Specialist List**”) maintained by the Development Bureau.

The List comprises contractors who are approved for carrying out public works in one or more of the 5 major categories of building and civil engineering works. The Specialist List comprises suppliers and specialist contractors who are approved for carrying out public works in one or more of the 50 categories of specialist works. As at the Latest Practicable Date, Windmill Engineering is an approved specialist contractor in the category of Fire Services Installation on the Specialist List with the following details:

Works Category	Group	Brief Scope of Category
Fire Services Installation	II (confirmed)	supply, installation and maintenance of fire service installations comprising sprinkler system, fire hydrant (FH)/hose reel (HR) system, manual and automatic fire alarm system, etc. for building and amenity projects

In the category of Fire Services Installation on the Specialist List, it is further divided into 2 groups of specialist contractors, namely Group I and Group II, each with different levels of authorised contract sum for which the specialist contractors are normally eligible to tender:

Category	Group	Authorised Contract Sum
Fire Services Installation	I	Contracts/Sub-contracts of up to HK\$2.3 million
Fire Services Installation	II	Contracts/Sub-contracts of unlimited value

In general, for contractors to be included and retained on the Specialist List, they need to meet certain criteria applicable to their appropriate category and group on the Specialist List in respect of financial, technical, management, personal and safety aspects. A confirmed contractor in the Fire Services Installation category (Group I) of the Specialist List may be upgraded to Group II of the same category, subject to its ability to meet the applicable financial criteria, the appropriate technical and management capabilities, a satisfactory record of performance and in all respects being considered suitable for promotion. A contractor applying for an upgrade will usually be admitted initially on probation to Group II of the same category on the Specialist List.

For retention on the Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain periodically adjusted minimum levels of employed and working capital applicable to the appropriate category and group. Currently, for retention on any group in the category of Fire Services Installation of the Specialist

## REGULATORY OVERVIEW

List, a contractor must maintain a minimum employed capital of HK\$570,000.0 and a minimum working capital of HK\$570,000.0. The contractor is also required to have a minimum annual turnover of HK\$50 million in each of the immediate past three years.

Windmill Engineering was admitted to Group I (confirmed) of the Fire Services Installation category of the Specialist List on 4 March 1992 and upgraded to the list of Group II (confirmed) of the Fire Services Installation category of the Specialist List on 21 March 1994. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Windmill Engineering's registration on the list of Group II (confirmed) of the Fire Services Installation category of the Specialist List has not been suspended or revoked and it has met the applicable criteria and requirements on retention on the Specialist List.

### **3. *Specific Requirements for Undertaking Fire Services Installation Works in Housing Authority***

The Housing Authority (HA) is a statutory body responsible for planning and implementing the public housing programme. In addition, HA builds and manages a large number of public rental units and ancillary facilities. HA has been maintaining permanent lists of qualified contractors and service providers (the "**HA List**"), from which tenders for HA works contracts and property management services contracts are normally invited.

Windmill Engineering was included on the HA List of Fire Services and Water Pump Contractors (the "**HA/FSWP List**") on probation from 7 April 1994 and subsequently promoted to "confirmed" status effective from 8 August 2002. Contractors on the HA/FSWP List are eligible to tender for works contracts and nominated sub-contracts of unlimited value in the category of fire services and water pump installations in residential, commercial and institutional buildings.

According to the *Specific Guidelines for Fire Services and Water Pump Contractors (December 2014 Revision)* (the "**Specific Guidelines**") in the *Guide to Registration of Works Contractors and Property Management Services Providers* published by the HA, for inclusion or retention on the HA/FSWP List, a contractor is required to possess the following:

- (a) the prescribed statutory registration requirements as follows:
  - (i) Registered Fire Services Contractor of Class 1, 2 and 3 under the Fire Services (Installation Contractors) Regulations, Fire Services Ordinance; and
  - (ii) Registered Electrical Contractor under the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong); and
  - (iii) a valid radioactive substance license holder granted by the Radiation Board under the Radiation Ordinance (Chapter 303 of the Laws of Hong Kong).
- (b) ISO 9001, ISO 14001 and OHSAS 18001 Certificates with the minimum certification scope of supply, installation and maintenance of fire services and water pump systems;

## REGULATORY OVERVIEW

- (c) for admission to the HA/FSWP List, satisfactory completion of the following contract(s) in Hong Kong over the past 3 years and satisfactory maintenance and operation of the said installations for at least 6 months for:
  - (i) one fire services and water pump installation with domestic block(s) (contract sum of at least HK\$3 million) and technical complexity similar to a typical HA domestic block project; and
  - (ii) one fire services and water pump installation with commercial/institutional building.
- (d) a minimum working capital of (i) or (ii) of the following, whichever is higher:
  - (i) HK\$570,000.0, or
  - (ii)
    - (1) 15% of outstanding works (if contractor has either employed capital or working capital under HK\$4.2 million); or
    - (2) 10% of outstanding works (if contractor has both employed capital and working capital not less than HK\$4.2 million respectively); or
    - (3) 8% on first HK\$950 million of outstanding works & 10% on remainder (if contractor is also a New Works Group “NW2” building contractor on the HA List).
- (e) a minimum employed capital of (i) or (ii) of the following, whichever is higher:
  - (i)
    - (1) HK\$570,000.0; or
    - (2) HK\$2.3 million (if outstanding works is greater than or equal to HK\$23 million but less than HK\$47 million); or
    - (3) HK\$4.7 million (if outstanding works is greater than or equal to HK\$47 million)
  - (ii) 10% of total assets.
- (f) for a contractor with either confirmed or probationary status, a satisfactory demonstration of its financial performance based on its Profitability Trend Analysis by calculating the Profit/Loss Ratio in the prescribed way over the opening balance of the shareholders’ funds or net worth for the past 3 years. If a contractor has a Loss Ratio greater than 30%, sufficient capital should be injected.
- (g) directly employ a minimum number of full time staff with the academic/professional qualifications and relevant experience as prescribed in the Specific Guidelines, and to maintain adequate number of competent skilled workers for installation, maintenance and emergency services.

## REGULATORY OVERVIEW

A contractor applying for admission and subsequently admitted onto a List will initially be given probationary status. A contractor on probationary status on the HA/FSWP List shall be restricted to undertake not more than two fire services and/or water pump installation or improvement/maintenance works contracts or nominated sub-contracts at any one time. The two contracts/nominated sub-contracts shall include not more than one new works contract or nominated sub-contract:

<b>Staff</b>	<b>Required Qualification and Experience</b>	<b>Minimum No.</b>
Project/Contract Manager	Diploma or above in mechanical, electrical or building services engineering & 8 years relevant managerial experience and overall in charge of fire services and water pump contracts; or Degree or above & 5 years relevant managerial experience and overall in charge of fire services and water pump contracts.	1
Qualified Professional Engineer	RPE (Mechanical or B.S. Discipline), MHKIE (Mechanical or B.S. Discipline) elected after 5.12.1975, or equivalent with 3 years post qualification of relevant experience in fire services and water pump installations.	1
Site Supervisory staff	Registered electrical worker (Member registered as Grade B(0) electrical work or above) with 3 years practical experience in supervision of fire services and water pump installation.	1
Licensed Plumber	Member registered as licensed plumber (Grade 1), who may be the same person as the site supervisory staff.	1

Probationary contractors may apply for confirmed status, within 3 years after a lapse of 3 months from the date of satisfactory completion of:

- (a) one HA new works contract or one nominated sub-contract to an HA new works contract for fire services and/or water pump installation awarded after inclusion in the HA/FSWP List; or
- (b) in case there is no relevant HA contract available, the following shall apply:

one relevant local non-HA project which should be a relevant local contract/sub-contract of comparable size and complexity with other major clients such as Development Bureau, public organisations or private developers in Hong Kong awarded after inclusion in the HA/FSWP List.



## REGULATORY OVERVIEW

As at the Latest Practicable Date, Windmill Engineering was on the HA/FSWP List (confirmed status). The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Windmill Engineering's registration on the HA/FSWP List (confirmed status) has not been suspended or revoked and it has met the applicable criteria and requirements on retention on the HA/FSWP List.

#### **4. *Regulatory actions against contractors by the Development Bureau and the HA***

Where a contractor exhibits unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, poor environmental performance, court convictions or failure to meet the financial criteria within prescribed time, the Development Bureau and the HA may take regulatory actions against the contractor. Depending on the seriousness of the incident concerned, regulatory actions may include removal or suspension of the contractor from the list and downgrading to a lower class or group or status in all or any specific category.

#### **5. *Basic Requirements for Registration as a Registered Electrical Contractor under the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) ("Electricity Ordinance")***

The registration of electrical contractors with the Electrical and Mechanical Services Department (EMSD) is governed by the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong) ("**Electricity (Registration) Regulations**") in which regulation 3 requires that, to be qualified as a registered electrical contractor, the applicant for registration must either employ at least one registered electrical worker or:

- (a) if the applicant is an individual, he must be a registered electrical worker; or
- (b) if the applicant is a partnership, one of the partners must be a registered electrical worker.

Pursuant to Regulation 12 of the Electricity (Registration) Regulations, a registration or renewed registration is only valid for the 3-year period shown on the certificate. A registered electrical contractor or a registered electrical worker who wishes to renew his registration shall submit to the Director of EMSD an application for renewal of registration in a prescribed form at least 1 month before but no earlier than 4 months before the expiry of the current registration.

According to section 30 of the Electricity Ordinance, the certificate issued by the Directors of EMSD to the registered electrical worker shall specify the grade of electrical work that the worker is entitled to do, which is divided into five grades. Under section 34 of the Electricity Ordinance, a registered electrical contractor shall ensure that no registered electrical worker employed by him shall do electrical work that the worker is not entitled to do under the Electricity Ordinance.

Pursuant to section 36 of the Electricity Ordinance, where the Director of EMSD considers that there is evidence that a registered electrical worker or a registered electrical contractor has failed to comply with the Electricity Ordinance, he may: (i) refer the matter to the Secretary for Environment for hearing by a disciplinary tribunal or (ii) reprimand the worker or contractor, and/or fine a worker up to HK\$1,000.0 and a contractor up to HK\$10,000.0.

## REGULATORY OVERVIEW

If the matter is referred to the Secretary for Environment for hearing by a disciplinary tribunal, after concluding its hearing the disciplinary tribunal may either (i) exonerate the registered electrical works or contractor or (ii) may do one or more of the following:

- (I) reprimand the worker or contractor;
- (II) fine a worker up to HK\$10,000.0 and a contractor up to HK\$100,000.0;
- (III) suspend or cancel the registration of the worker or contractor;
- (IV) suspend the worker's or contractor's right to apply for registration or renewal of registration for a prescribed period.

Under section 36(2) of the Electricity Ordinance, the Director of EMSD may cancel a registration if he considers that: (i) the registrant obtained registration by fraud or on the basis of misleading or inaccurate information; (ii) the registration was made in error; or (iii) the registrant is no longer qualified under the Electricity Ordinance to be registered.

Windmill Engineering has been a registered electrical contractor since 25 June 2013 and was holding a valid certificate of registration. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Windmill Engineering's certificate of registered electrical contractor has not been suspended or revoked and Windmill Engineering has met the applicable criteria and requirements on maintaining the certificate valid.

*(C6) Radioactive Substance Licence under the Radiation Ordinance (Chapter 303 of the Laws of Hong Kong) ("Radiation Ordinance")*

The Radiation Ordinance provides for, among others, the control of the import, export, possession and use of radioactive substances. Under section 7(1) of the ordinance, subject to some prescribed exemptions, no person shall manufacture, produce, sell, deal in or with, possess or use any radioactive substance or irradiating apparatus except under and in accordance with a licence issued under the ordinance. Any person who contravenes section 7(1) commits an offence and is liable to a fine of HK\$50,000.0 and to imprisonment for 2 years.

Section 10 of the Radiation Ordinance provides that the Radiation Board may cancel or suspend the licence issued under this Ordinance if the Radiation Board is satisfied that:

- (a) the holder thereof or any servant or agent of such holder has been convicted of an offence against this Ordinance; or
- (b) the holder thereof or any servant or agent of such holder has committed a breach of any of the terms or conditions of the licence; or
- (c) for any other reason, it is in the public interest so to do.

Windmill Engineering has been granted Radioactive Substance Licence by the Radiation Board under the provisions of the Radiation Ordinance since 14 November 2013 and its current Radioactive Substances License has a validity until 8 January 2018. The Directors

## REGULATORY OVERVIEW

confirm that during the Track Record Period and up to the Latest Practicable Date, Windmill Engineering's Radioactive Substance Licence has not been suspended or revoked and it has met the applicable criteria and requirements on maintaining the licence valid.

### **7. Sub-contractor Registration Scheme (SRS)**

According to the *Project Administration Handbook for Civil Engineering Works (2014 Edition)*, the contractors of all capital works and maintenance works contracts are required to only employ sub-contractors registered under the respective trades available in the Primary Register of the Sub-contractor Registration Scheme (SRS) (formerly the Voluntary Sub-contractor Registration Scheme) managed by the Construction Industry Council (CIC).

Pursuant to the *Rules and Procedures for the Primary Register of the Sub-contractor Registration Scheme (version 2)*, a company may apply for registration on the Primary Register by complying with either of the following requirements (a), (b) or (c):

(a) Requirement R1

- (i) completion of at least one job within the last five years as a main contractor/sub-contractor in the trades and specialties for which registration is applied; or
- (ii) comparable experience acquired by the applicant or its proprietors, partners or directors within the last five years;

OR

(b) Requirement R2

listings on one or more Government registration schemes relevant to the trades and specialties for which registration is sought;

OR

(c) Requirement R3

- (i) the applicant or its proprietor, partner or director having been employed by a registered sub-contractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Sub-contractors (or equivalent) conducted by the Construction Industry Council (CIC); or
- (ii) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter. 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the CIC.

## REGULATORY OVERVIEW

An approved registration is valid for two years from the approval date and application for renewal may be made within three months before the expiry date of the registration. An approved renewal is valid for two years from the expiry of the current registration.

Registered sub-contractors are to observe the Codes of Conduct for Registered Sub-contractor set out in the SRS. Failing to comply with the Codes of Conduct may result in regulatory actions taken by the CIC Management Committee by directing that:

- (a) written strong direction and/or warning be given to a registered sub-contractor;
- (b) a registered sub-contractor to submit an improvement plan with the contents as specified and within a specified period;
- (c) a registered sub-contractor be suspended from registration for a specified duration; or
- (d) the registration of a registered sub-contractor be revoked.

A registered sub-contractor whose registration has been revoked shall not be eligible for re-registration for a period of two years from the date of revocation. A company with its sole director or proprietor being one of the directors, proprietors or partners of another registered sub-contractor which is being regulated, shall not be accepted for applying new registration within such period of suspension or within two years from such date of revocation.

A company with one or more of the director(s), proprietor(s) or partner(s) being director(s), proprietor(s) or partner(s) of another registered sub-contractor being regulated, the experience of such director(s), proprietor(s) or partner(s) shall not be taken into account in the application for new registration if such application is submitted within the period of suspension or within two years from such date of revocation of that registered sub-contractor.

As at the Latest Practicable Date, Windmill Engineering was registered under the SRS managed by CIC as a registered sub-contractor in the trade of Fire Services Installation. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Windmill Engineering's registration as a registered sub-contractor in the trade of Fire Services Installation has not been suspended or revoked and it has met the applicable criteria and requirements on retention on the register.

**(B) Labour, Health and Safety**

**1. *Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (“Employment Ordinance”)***

The Employment Ordinance provides for the protection of the wages of employees and regulates general employment conditions. In particular, Part IXA of the Employment Ordinance provides for liability to pay wages of employees of sub-contractors and nominated sub-contractors.

Under section 43C of the Employment Ordinance, any wages become due to an employee who is employed by a sub-contractor on any work the sub-contractor has contracted to perform, which are not paid within the period specified in the Employment Ordinance, shall be payable by a principal contractor and every superior sub-contractor jointly and severally.

The liability of a principal contractor and superior sub-contractor jointly and severally shall be limited to:

- (a) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and
- (b) the wages due to such an employee for two months without any deductions under the Employment Ordinance and such months shall be the first two months of the period in respect of which the wages are due.

If a principal contractor or superior sub-contractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior sub-contractor, as the case may be. The principal contractor or superior sub-contractor may either:

- (a) claim contribution from every superior sub-contractor to the employee’s employer or from the principal contractor and every other such superior sub-contractor as the case may be, or
- (b) deduct by way of setoff the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

Pursuant to section 43D of the Employment Ordinance, an employee of a sub-contractor who has outstanding wages payment from the sub-contractor must serve a notice in writing on the principal contractor within 60 days (or other additional period not exceeding 90 days as permitted by the Commissioner of Labour) after the wages become due. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the principal contractor as required.

## REGULATORY OVERVIEW

A principal contractor who receives such notice from an employee of a sub-contractor shall, within 14 days after the receipt of the notice, serve a copy of the notice on every superior subcontractor to that sub-contractor (if any) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior sub-contractor(s) shall be guilty of an offence punishable by a fine at level 5 (currently at HK\$50,000.0).

Where a sub-contractor fails to pay, within the period specified in the Employment Ordinance, any wages due to an employee employed by him on work which he has contracted to perform, he shall supply to the employee the name and address of the principal contractor and every superior sub-contractor to him within 7 days of the receipt of the employee's written request and shall, within such 7 days' period, deliver a copy of the written request to the principal contractor and every superior sub-contractor to him. A sub-contractor who fails to comply with such requirements without reasonable excuse shall be guilty of an offence punishable by a fine at level 5 (currently at HK\$50,000.0).

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be; or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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

The Employees' Compensation Ordinance provides for the payment of compensation to employees who are injured in the course of their employment. This ordinance sets out the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation notwithstanding the employee might have been at fault or negligent when the accident occurred. There are certain exceptions under which no compensation shall be payable by the employer under this ordinance, such as injury not incapacitating the employee from earning full wages at work, deliberate self-injury, false representation by employee and injury attributed to the employee's addiction to drugs or having been influenced by alcohol at the time of accident.

Similarly, if incapacity or the death of an employee results from an occupational disease and is due to the nature of any employment in which the employee was employed at any time within the prescribed period immediately preceding such incapacity or death, then the employee or members of his family, as the case may be, shall be entitled to the same compensation as if such incapacity or death had been caused by an accident arising out of and in the course of employment.

## REGULATORY OVERVIEW

Under section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to a sub-contractor's employee who is injured in the course of his/her employment to the sub-contractor. An employee employed by a sub-contractor may issue a written request to the sub-contractor to supply to the employee the name and address of the principal contractor and the sub-contractor shall do so within 7 days after the date of issue of a written request. A sub-contractor who fails to comply with such requirement without reasonable excuse commits an offence and is liable to a fine at level 5 (currently at HK\$50,000.0).

Pursuant to section 40(1) of the Employees' Compensation Ordinance, no employer (including principal contractors and sub-contractors) shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than the applicable amount specified in the Fourth Schedule of the ordinance. Currently, the relevant applicable amounts are:

- (a) HK\$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200;
- (b) HK\$200 million per event where the number of employees in relation to whom the policy is in force exceeds 200;
- (c) HK\$200 million per event where a principal contractor has undertaken to perform any construction work, and to cover his liability and that of his sub-contractor(s); and
- (d) HK\$200 million per event where a group of companies take out a policy of insurance in relation to a group of companies in respect of the liabilities of the companies, bodies corporate and corporations in the group specified in the policy.

A principal contractor may, although not mandatorily, take out a policy of insurance to cover for employees of the sub-contractor(s) with respect to its potential liability under section 24. The principal contractor may also rely on insurance taken out by the sub-contractors as employer for the sub-contractors' employees as required under section 40(1). Where the principal contractor is liable to pay compensation under section 24 of the Employees' Compensation Ordinance, it is entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the employee.

An employer contravening section 40(1) of the Employees' Compensation Ordinance commits an offence and is liable:

- (a) on conviction upon indictment to a fine at level 6 (currently at HK\$100,000.0) and to imprisonment for 2 years; and
- (b) on summary conviction to a fine at level 6 (currently at HK\$100,000.0) and to imprisonment for 1 year.

## REGULATORY OVERVIEW

### **3. *Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) (“Immigration Ordinance”)***

Pursuant to section 38A of the Immigration Ordinance, a construction site controller commits an offence and is liable to a fine of HK\$350,000.0 if it is proved that a person who has unlawfully landed in Hong Kong was on the construction site unless he can prove that he had taken all practicable steps to prevent the presence of such person on the construction site.

A construction site controller also commits an offence and is liable to a fine of HK\$350,000.0 if it is proved that a person who is not lawfully employable takes employment on the construction site. It is a defence for the construction site controller to prove that he had taken all practicable steps to prevent illegal workers who are not lawfully employable from taking employment on the construction site.

For the purpose of section 38A, a construction site controller means a principal or main contractor and includes a sub-contractor, owner, occupier or other person who has control over or is in charge of a construction site.

### **4. *Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (“Minimum Wage Ordinance”)***

The Minimum Wage Ordinance provides for a minimum wage at a prescribed hourly rate (currently at HK\$32.5 per hour and with a possibility of being increased to HK\$34.5 per hour in May 2017) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance subject to the exceptions stipulated in section 7 of the ordinance.

Pursuant to section 15 of the Minimum Wage Ordinance, a provision of a contract of employment purporting to extinguish or reduce any right, benefit or protection conferred on the employee by the ordinance is void.

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

The Mandatory Provident Fund Schemes Ordinance provides for, among others, the establishment, contributions, registration and regulation of non-governmental mandatory provident fund schemes for the purpose of funding benefits on retirement.

Pursuant to section 7(1) of the Mandatory Provident Fund Schemes Ordinance, every employer of a relevant employee shall take all practicable steps to ensure that the employee becomes a member of a registered scheme within the permitted period and pursuant to 7(1A), every employer of a relevant employee shall take all practicable steps to ensure that the employee continues to be so registered afterwards throughout his employment with that employer. For the purpose of section 7(1), the permitted period is 60 days (non-casual employee) and 10 days (casual employee). An employer who, without reasonable excuse, fails to comply with a requirement imposed on him by section 7 commits an offence and is liable on conviction to a fine of HK\$350,000.0 and to imprisonment for 3 years and, in the case of an offence consisting of a failure by the employer to comply with the requirement imposed by section 7(1A), to a daily penalty of \$500.0 for each day on which the offence is continued.



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Sections 7A(1) and 7A(2) of the Mandatory Provident Fund Schemes Ordinance requires an employer to, for each contribution period, contribute an amount from the employer's own funds to the relevant registered scheme and deduct an amount from the employee's relevant income for that period as a contribution by the employee to that scheme. Deduction for the employee's contribution to the scheme is subject to requirements in section 7A(7).

For a relevant employee other than a casual one, the amount to be contributed by an employer or to be deducted from a relevant employee for a contribution period is equal to the prescribed percentage of the employee's relevant income for that period. Unless prescribed by the regulations otherwise, the prescribed percentage is 5 per cent. In the case of a casual employee who is a member of an industry scheme, the amount shall be determined by reference to a scale specified in an order of the Mandatory Provident Fund Schemes Authority.

Where a relevant employee of an employer is not a member of a registered scheme, sections 7AA(2) and 7AA(3) require the employer to pay the employer's contribution and the relevant employee's contribution for the relevant income period to the Mandatory Provident Fund Schemes Authority. A relevant employee does not have a claim against the employer for payment of the amounts that the employer has deducted from the employee's relevant income in accordance with this section and paid to the Mandatory Provident Fund Schemes Authority. Deduction for the employee's contribution to the scheme is subject to requirements in section 7AA(6).

An employer who, without reasonable excuse, fails to comply with sections 7A(1), 7A(2), 7A(7), 7AA(2), 7AA(3) or 7AA(6) commits an offence and is liable on conviction:

- (a) to a fine at level 6 (currently at HK\$100,000.0) and to imprisonment for 6 months on the first conviction of the offence; and
- (b) to a fine of HK\$200,000.0 and to imprisonment for 12 months on each subsequent occasion of conviction of the offence.

A relevant employee whose relevant income is less than the minimum level of relevant income (currently HK\$7,100.0 per month) is not required to contribute to a registered scheme. A relevant employee whose relevant income is more than the maximum level of relevant income (currently HK\$30,000.0 per month) is not required to contribute to a registered scheme in respect of the excess relevant income. However, in either case, if the relevant employee so wishes, he may elect to do so by giving a notice in writing to his employer. An employer who receives such a notice must give effect to the election by making deductions and paying contributions in respect of the employee. An employer of a relevant employee whose relevant income is more than the maximum level of relevant income may contribute to a registered scheme in respect of the excess relevant income, but is not obliged to do so.

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An employer must ensure that the required contributions are paid to the approved trustee of the registered scheme of which the employee is a member within the period and in the manner prescribed by the regulations or, in the case where the relevant employee is not a member of registered scheme, to the Mandatory Provident Fund Schemes Authority on or before the contribution day. An employer who, without reasonable excuse, fails to comply with this requirement commits an offence and is:

- (a) in the case where he has deducted any amount from the employee's relevant income for the contribution period concerned as the employee's contribution and the total amount of contribution paid in respect of the employee to the approved trustee or the Mandatory Provident Fund Schemes Authority (as the case may be) for that contribution period is less than the amount so deducted, liable on conviction to a fine of HK\$450,000.0 and to imprisonment for 4 years and, in the case of a continuing offence, to a daily penalty of HK\$700.0 for each day on which the offence is continued; and
- (b) in any other case, liable on conviction to a fine of HK\$350,000.0 and to imprisonment for 3 years and, in the case of a continuing offence, to a daily penalty of HK\$500.0 for each day on which the offence is continued.

Under section 14(4) of the Mandatory Provident Fund Schemes Ordinance, if a member of a registered scheme whose accrued benefits are to be transferred under this section (a) ceases to be an employee of an employer, or (b) becomes an employee of an employer, or (c) does both of those things, the employer or employers must comply with the prescribed requirements with respect to the transfer of those benefits. An employer who, without reasonable excuse, fails to comply with this requirement commits an offence and is liable on conviction:

- (a) to a fine at level 6 (currently at HK\$100,000.0) and to imprisonment for 6 months on the first conviction of the offence; and
- (b) to a fine of HK\$200,000.0 and to imprisonment for 12 months on each subsequent conviction of the offence.

Pursuant to section 43BA of the Mandatory Provident Fund Schemes Ordinance, the court may make further orders in proceedings for certain offences in addition to any penalty imposed under section 43B.

Furthermore, an employer who, in a pay-record given to an employee, provides any information that the employer knows to be false or misleading in a material respect, or recklessly provides any information that is false or misleading in a material respect, commits an offence and is liable on conviction:

- (a) to a fine at level 6 (currently at HK\$100,000.0) and to imprisonment for 12 months on the first conviction of the offence; and
- (b) to a fine of HK\$200,000.0 and to imprisonment for 2 years on each subsequent conviction of the offence.

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of every proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking by:

- (a) providing and maintaining plant and systems of work that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- (c) providing such information, instruction, training and supervision as is necessary to ensure the health and safety at work of all persons employed by him at the industrial undertaking;
- (d) maintaining any part of the industrial undertaking under the proprietor’s control in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks; and
- (e) providing and maintaining a working environment for all persons employed by him at the industrial undertaking that is safe, and without risks to health.

A proprietor of an industrial undertaking who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000.0. A proprietor who contravenes any of these requirements willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000.0 and to imprisonment for 6 months.

There are other matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong) under which it sets out:

- (a) subject to certain exceptions no person under 18 years of age can be employed at any place on the site;
- (b) the duty to ensure safety of places of work;
- (c) the duty to comply with miscellaneous safety requirements;
- (d) the duty to notify construction work; and
- (e) provision of first aid facilities.

## REGULATORY OVERVIEW

A contractor contravening any of these rules commits an offence. Depending on the regulations contravened, different levels of penalty will be imposed and a contractor being found guilty of the relevant offence could be liable to a fine up to HK\$200,000.0 and to imprisonment up to 12 months.

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

The Occupational Safety and Health Ordinance provides for protection to employees with respect to their safety and health in workplaces. It applies not only to industrial workplaces but also non-industrial.

Under the Occupational Safety and Health Ordinance, every employer must, as far as reasonably practicable, ensure the safety and health at work for all employees by:

- (a) providing and maintaining plant and systems of work that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing such information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;
- (d) as regards any workplace under the employer’s control,
  - (i) maintaining the workplace in a condition that is safe and without risks to health; and
  - (ii) providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- (e) providing and maintaining a working environment for the employees that is safe and without risks to health.

An employer who fails to comply with the above provisions commits an offence and is liable on conviction to a fine of HK\$200,000.0. Further, an employer who intentionally, knowingly or recklessly fails to comply with these provisions commits an offence and is liable on conviction to a fine of HK\$200,000.0 and to imprisonment for 6 months.

The Commissioner for Labour may serve improvement notices on an employer or an occupier of the workplace against contravention of this ordinance or the Factories and Industrial Undertakings Ordinance, or suspension notices against an activity or condition or use of workplace where there is an imminent risk of death or serious bodily injury. An employer or occupier who fails to comply with such notices without reasonable excuse commits an offence and is liable on conviction to a fine of HK\$200,000.0 and HK\$500,000.0 respectively, and imprisonment of up to 12 months.

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### **8. *Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (“Occupiers Liability Ordinance”)***

The Occupiers Liability Ordinance provides for the liability of occupiers and others for injury or damage resulting to persons or goods lawfully on any land or other property from dangers due to the state of the property or to things done or omitted to be done there, and for purposes connected therewith.

Without altering the rules of the common law as to the persons on whom a duty is so imposed or to whom it is owed, the ordinance regulates the nature of the duty imposed by law in consequence of a person’s occupation or control of premises and of any invitation or permission he gives (or is to be treated as giving) to another to enter or use the premises.

### **(C) Environmental Protection**

#### **1. *Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) (“Air Pollution Control Ordinance”)***

The Air Pollution Control Ordinance provides for abating, prohibiting and controlling pollution of the atmosphere and for matters connected therewith. It is the principal legislation for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources.

Air pollutant emissions from certain operations are controlled by subsidiary regulations of the Air Pollution Control Ordinance through the issue of licences and permits. Regulations made under the Air Pollution Control Ordinance may provide that a contravention of specified provisions thereof or of specified conditions of a licence shall be an offence punishable at a fine of not exceeding HK\$200,000.0 and imprisonment for 6 months, and in addition, if the offence is a continuing offence, to a fine not exceeding:

- (a) HK\$1,000.0 in respect of every one quarter of an hour; or
- (b) HK\$50,000.0 in respect of each day,

during the whole or any part of which the offence continues, as the circumstances may require.

In addition to the Air Pollution Control Ordinance, a contractor shall also observe and comply with the subsidiary regulations, including but not limited to:

- (a) the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong);
- (b) the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong); and
- (c) the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong).

## REGULATORY OVERVIEW

The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented.

Under the asbestos control provisions in the Air Pollution Control Ordinance, building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant. A person who contravenes asbestos control provisions as stated in section 77 of the Air Pollution Control Ordinance commits an offence and is liable on conviction to a fine of HK\$200,000.0 and to imprisonment for 6 months and to a further fine of HK\$20,000.0 for each day during the whole or part of which the court is satisfied that the offence has continued.

### **2. *Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) (“Noise Control Ordinance”)***

The Noise Control Ordinance provides for the prevention, minimizing and abatement of noise. Among others, section 6 of the ordinance controls the noise from construction sites. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction work.

Under section 6 of the Noise Control Ordinance, subject to the exception in section 6(6) it is an offence for any person who at any place between the hours of 7 p.m. and 7 a.m., or at any time on a general holiday, uses, or causes or permits to be used, any powered mechanical equipment for the purpose of carrying out any construction work other than percussive piling:

- (a) in respect of which a construction noise permit is not in force; or
- (b) otherwise than in accordance with the conditions of a construction noise permit in force in respect thereof.

Any person who commits an offence under section 6 of the ordinance shall be liable to:

- (a) a fine HK\$100,000.0 on first conviction;
- (b) a fine of HK\$200,000.0 on second or subsequent conviction; and
- (c) in any case to a fine of HK\$20,000.0 for each day during which the offence continues.

### **3. *Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (“Waste Disposal Ordinance”)***

The Waste Disposal Ordinance provides for the control and regulation of the production, storage, collection and disposal including the treatment, reprocessing and recycling of waste of any class or description, the licensing and registration of places and persons connected with any such activity, the protection and safety of the public.

## REGULATORY OVERVIEW

In addition to the Waste Disposal Ordinance, a contractor shall also observe and comply with the subsidiary regulations, including but not limited to:

- (a) the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (“**Waste Disposal (Chemical Waste) (General) Regulation**”); and
- (b) the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) (“**Waste Disposal (Charges for Disposal of Construction Waste) Regulation**”).

Under section 6 of the Waste Disposal (Chemical Waste) (General) Regulation, a person shall not produce or cause to be produced chemical waste unless he is registered as a chemical waste producer. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$200,000.0 and to imprisonment for 6 months.

A chemical waste producer shall ensure that chemical waste is properly packed and stored before disposal as required under the Waste Disposal (Chemical Waste) (General) Regulation. Any waste producer who fails to comply with any of these packing and storing requirements commits an offence and is liable to a fine of HK\$100,000.0 and to imprisonment for 6 months. Furthermore, a waste producer shall also ensure that chemical waste is properly labelled as required by the regulation, failing which will constitute committing an offence and is liable to a fine of HK\$50,000.0 and to imprisonment for 6 months.

A chemical waste producer shall engage a licensed waste collector to remove or transport chemical waste. Any person who arranges or causes chemical waste to be removed or transported otherwise than by engaging the services of a licensed waste collector commits an offence and is liable to a fine of HK\$200,000.0 and to imprisonment for 6 months.

A chemical waste producer is also required to keep and furnish records of its chemical waste disposal information for inspection by Environmental Protection Department (EPD). Among others, a waste producer who fails to comply with such requirement commits an offence and is liable to a fine of HK\$100,000.0 and to imprisonment for 6 months.

Under section 3 of the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste may be accepted for disposal at a designated waste disposal facility only if the facility is a prescribed facility.

Section 9 of the Waste Disposal (Charges for Disposal of Construction Waste) Regulation requires that a main contractor who undertakes construction work with a value of HK\$1,000,000.0 or above under a contract that has been awarded, shall within 21 days after being awarded the contract, make an application to the Director of Environmental Protection to establish a billing account solely in respect of that contract for paying any prescribed charge payable in respect of the construction waste generated from construction work undertaken under that contract. A main contractor who, without reasonable excuse, fails to comply with this requirement commits an offence and is liable to a fine at level 5 (currently at HK\$50,000.0) and, in the case of a continuing offence, to a further daily fine of HK\$1,000.0 for each day during which the offence continues.

## REGULATORY OVERVIEW

Under section 16 of 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 Environmental Protection to use the land or premises for that purpose. Unless he proves that the waste was disposed of in an emergency to avoid danger to the public and as soon as was reasonably practicable he informed the Director of Environmental Protection thereof in writing, a person who contravenes the requirement in section 16 commits an offence and is liable:

- (a) for the first offence, to a fine of HK\$200,000.0 and to imprisonment for 6 months;
- (b) for a second or subsequent offence, to a fine of HK\$500,000.0 and to imprisonment for 6 months; and
- (c) in addition, if the offence is a continuing offence to a fine of HK\$10,000.0 for each day during which it is proved to the satisfaction of the court that the offence has continued.

#### **4. *Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)*** ***(“Environmental Impact Assessment Ordinance”)***

The Environmental Impact Assessment Ordinance provides for assessing the impact on the environment of certain projects and proposals and for protecting the environment. By means of the application of environmental impact assessment process and environmental permit system, the ordinance serves to prevent, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 thereof.

Pursuant to section 9 of the Environmental Impact Assessment Ordinance, a person shall not construct or operate a designated project listed in Part I of Schedule 2 or decommission a designated project listed in Part II of Schedule 2 without an environmental permit for the project or contrary to the conditions set out in the permit. A person who contravenes this requirement commits an offence and is liable:

- (a) on a first conviction on indictment to a fine of HK\$2,000,000.0 and to imprisonment for 6 months;
- (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000.0 and to imprisonment for 2 years;
- (c) on a first summary conviction to a fine at level 6 (currently at HK\$100,000.0) and to imprisonment for 6 months;
- (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000.0 and to imprisonment for 1 year;
- (e) and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000.0 for each day on which he is satisfied the offence continued.



**(D) Trade and Sale of Fire Services Equipment**

**1. *Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (“Sale of Goods Ordinance”)***

The Sale of Goods Ordinance codifies the law relating to the sale of goods.

In general, where the seller sells goods in the course of a business, there is an implied condition that the goods supplied under the sale contract are of merchantable quality and reasonably fit for the particular purpose for which the goods are being bought.

Where a contract for the sale of goods is by description, there is an implied condition that the goods shall correspond with the description.

In the case of a contract of sale is a contract for sale by sample, there is an implied condition that:

- (a) the bulk shall correspond with the sample in quality;
- (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and
- (c) the goods shall be free from any defect, rendering them un-merchantable, which would not be apparent on reasonable examination of the sample.

If the sale is by sample as well as by description, the goods still need to correspond with the description even when the bulk of the goods corresponds with the sample.

**2. *Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong) (“Trade Description Ordinance”)***

The Trade Description Ordinance provides for, among others, the prohibition of false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or suppliers of such goods.

In general, a person commits an offence punishable by a fine of HK\$500,000.0 and imprisonment for 5 years (on conviction on indictment), or by a fine at level 6 (currently at HK\$100,000.0) and imprisonment for 2 years (on summary conviction) if he:

- (a) in the course of any trade or business:
  - (i) applies a false trade description to any goods; or
  - (ii) supplies or offers to supply any goods to which a false trade description is applied; or
- (b) has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied.

## REGULATORY OVERVIEW

### 3. *Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (“Trade Marks Ordinance”)*

Under section 18 of the Trade Marks Ordinance, a person infringes a registered trade mark if:

- (a) in the course of trade or business, he uses a sign which is identical or similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered; and
- (b) the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public.

An infringement of a registered trade mark is actionable by the owner of the trade mark who may apply to the court for orders to deal with the infringing goods, material or articles, such as an order for delivery up, forfeiture, destroy, disposal or an order as the court may decide.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### OVERVIEW

Our history can be traced back in 1985 when Mr. Li, our chairman, chief executive officer and executive Director, leveraging on his experience and business connections developed when he worked with a power generation company and a public transport railway company during the period between 1977 and 1982 and saw opportunities in the fire services installation industry in Hong Kong, acquired Windmill Engineering on 30 June 1985 to engage in the business of fire services installation and maintenance services in Hong Kong. Our business was initially funded by Mr. Li's own personal resources. Since then, our Group gradually expanded our fire services installation and maintenance services by obtaining various licenses and qualifications such as becoming registered as a Fire Services Installation Contractor with the Fire Services Department under Class 2 and Class 1 in 1987 and 1990 respectively, becoming registered on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works administered by the Works Branch of the Development Bureau with confirmed status in Group I under the "Fire Services Installations" category in 1992 and was upgraded to Group II in 1994 whereby we were qualified to undertake relevant public works of unlimited contract sum and becoming an approved fire service contractor of the Hong Kong Housing Authority with confirmed status in 2002 to be one of the top registered fire service installation contractors in Hong Kong.

### MAJOR MILESTONES

The following sets forth the major milestones during the course of the development of our business up to the Latest Practicable Date:

<b>Year</b>	<b>Event</b>
1985	Mr. Li acquired Windmill Engineering on 30 June 1985 to provide fire services installation and maintenance services in Hong Kong
1987	Windmill Engineering was registered as a Fire Services Installation Contractor with the Fire Services Department under Class 2
1990	Windmill Engineering was registered as a Fire Services Installation Contractor with the Fire Services Department under Class 1
1992	Windmill Engineering was included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works administered by the Works Branch of the Development Bureau with confirmed status in Group I under the "Fire Services Installations" category
1994	Windmill Engineering was upgraded to Group II with confirmed status in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works administered by the Works Branch of the Development Bureau and thereby became qualified to undertake public works contracts/subcontracts for fire services installation of unlimited contract sum
2002	Windmill Engineering was admitted to Housing Authority's List of Fire Services and Water Pump Contractors with confirmed status

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
2003	Windmill Engineering was awarded ISO9001:2008 (Quality Management)
2004	Windmill Engineering was registered as a Registered Subcontractor on the Primary Register of the Provisional Construction Industry Co-ordination Board (which function was taken over by the Construction Industry Council in 2007) under the then Voluntary Subcontractor Registration Scheme which was later renamed the Subcontractor Registration Scheme currently administered by the Construction Industry Council
2010	Windmill Engineering was awarded ISO14001:2004 (Environmental Management System) and OHSAS18001:2007 (Occupational Safety and Health Management)
2014	Windmill Engineering was awarded its first contract for fire safety system installation works for a data centre located in Tseung Kwan O
2014	Windmill Engineering was awarded its contract for maintenance of fire safety system of airport premises with a total contract sum of approximately HK\$34 million for three years
2015	Windmill Engineering was awarded a contract with a total contract sum of over HK\$20 million for installation of fire safety system for a railway link

### CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

#### Our Company

Our Company was incorporated in the Cayman Islands with limited liability on 25 August 2016 and is the holding company of our subsidiaries. The principal business activity of our Company is investment holding. As at the date of incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of a nominal value of HK\$0.01 each. On incorporation, one Share was issued as nil-paid to an Independent Third Party who transferred such one nil-paid Share to Golden Page on the same day at nil consideration.

As part of the Reorganisation, on 28 September 2016, Mr. Li, through Golden Page, further invested HK\$8,000,000 in cash in our Group (“**Further Investment**”) through the subscription of 7,000 new Shares by Golden Page. The HK\$8,000,000 subscription money was paid in full on 28 September 2016 and the 7,000 new Shares were allotted and issued to Golden Page, credited as fully-paid, on the same day. Such further investment of HK\$8,000,000 was ultimately injected into Windmill Engineering through the subscription of one fully-paid new share of Success Chariot by our Company and the subscription of 7,852,000 new shares of Windmill Engineering by Success Chariot with the aforesaid HK\$8,000,000 cash. Upon completion of such further investment on 28 September 2016, our Company, through Success Chariot, became the holding company of Windmill Engineering.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 7 October 2016, as a result of the completion of the Pre-IPO Investment, 2,999 new Shares, representing approximately 29.99% of the total issued share capital of our Company as enlarged by the issuance of such 2,999 new Shares, were allotted and issued, credited as fully-paid, to the Pre-IPO Investor at a total consideration of HK\$12,000,000.0 in cash. Please see the paragraphs headed “Pre-IPO Investment” in this section for further details of the Pre-IPO Investment.

Please see the paragraphs headed “Reorganisation” in this section for further details of Reorganisation steps.

### **Success Chariot**

Success Chariot was incorporated in the BVI with limited liability on 6 July 2016 and is an investment holding company for the purpose of holding interest in Windmill Engineering. Since its incorporation, Success Chariot is authorised to issue a maximum of 50,000 shares with par value of US\$1.0 each. On 25 August 2016, one share was allotted and issued to our Company, credited as fully-paid, at par.

As a result of the Further Investment, one additional share of Success Chariot was issued to our Company, credited as fully-paid, on 28 September 2016 at the aggregate consideration of HK\$8,000,000.0. As a result of and as partial consideration for the transfer of the 2,148,000 shares of Windmill Engineering, representing 21.48% of the then total issued share of Windmill Engineering, from Mr. Li to Success Chariot, one more share of Success Chariot was issued to our Company, credited as fully-paid, on 28 September 2016 at the direction of Mr. Li. Please see the paragraphs headed “Corporate History — Windmill Engineering” in this section for further details of the Reorganisation.

As a result of the Reorganisation and as at the Latest Practicable Date, our Company directly held a total of three issued shares of Success Chariot, representing 100% of the issued share capital of Success Chariot, and Success Chariot directly held 100% of the issued share capital of Windmill Engineering. Please see the paragraph headed “Reorganisation” in this section for details of the major Reorganisation steps.

### **Windmill Engineering**

Windmill Engineering was incorporated in Hong Kong with limited liability on 20 May 1983. It is our principal operating subsidiary providing installation, maintenance, repairs and inspection of various fire services installation and equipment services in Hong Kong. On incorporation, Windmill Engineering had two issued shares with the then par value of HK\$1.0 each, which were held by Sincere Nominees Limited and P. L. Nominees Limited in equal shares. Each of Sincere Nominees Limited and P. L. Nominees Limited was an Independent Third Party. On 30 June 1985, Mr. Li acquired the beneficial interest of the two issued shares from Sincere Nominees Limited and P. L. Nominees Limited at par value and those two issued shares were then held by Sincere Nominees Limited and P. L. Nominees Limited as nominees for and on behalf of Mr. Li for administrative convenience and for the purpose of compliance with the requirement of the then effective Predecessor Companies Ordinance that a limited liability company incorporated in Hong Kong must have at least two shareholders. After its acquisition by Mr. Li, Windmill Engineering became our principal operating company and has since then been engaged in our fire services installation and maintenance business.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

After Mr. Li's acquisition of Windmill Engineering and before the Reorganisation, Windmill Engineering had undergone various allotments and issuance of new shares as follows, for the purpose of meeting the minimum capital requirements of the relevant authorities for obtaining and maintaining its licences.

Date	New shares allotted and issued	Total number of issued shares
2 February 1990	499,998 shares	500,000 shares <sup>Note</sup>
20 November 2000	500,000 shares	1,000,000 shares
10 April 2007	1,148,000 shares	2,148,000 shares

*Note:* Two of such shares were allotted and issued on incorporation.

On 2 February 1990, 499,998 shares were issued and allotted to Sincere Nominees Limited and P. L. Nominees Limited in equal shares so that each of them held 250,000 shares as nominee for and on behalf of Mr. Li until 31 December 1990, when all those 500,000 shares were transferred to Mr. Li at his direction and on the same day, Mr. Li transferred 25,000 of those 500,000 shares to Ms. Pang Lok Hei Sami, Mr. Li's former spouse, for the purpose of compliance with the requirement of the then effective Predecessor Companies Ordinance that a limited liability company incorporated in Hong Kong must have at least two shareholders. Ms. Pang Lok Hei Sami was not involved in the business operations of Windmill Engineering. On 26 February 1992, Ms. Pang Lok Hei Sami transferred such 25,000 shares back to Sincere Nominees Limited, which held such shares as nominee for and on behalf of Mr. Li. On 5 October 2001, the legal ownership of such 25,000 shares was transferred from Sincere Nominees Limited to Well Full Development Limited, an Independent Third Party, which held such shares as nominee for and on behalf of Mr. Li until 11 September 2007, when all such shares were transferred to Mr. Li at his direction and accordingly, Mr. Li has since then been the sole legal and beneficial owner of 2,148,000 shares, representing 100% of the then issued share capital of Windmill Engineering until immediately prior to Step 3 (defined below) of the Reorganisation effected on 28 September 2016.

As part of the Reorganisation, (i) on 28 September 2016, Mr. Li further invested HK\$8,000,000.0 in cash using his own funds into our Group through Golden Page and the subscription of 7,000 new Shares, credited as fully paid, by Golden Page for the consideration of HK\$8,000,000.0 in cash, the subscription of one new share of Success Chariot, credited as fully paid, by our Company for the consideration of HK\$8,000,000.0 in cash and the subscription of 7,852,000 new shares of Windmill Engineering, credited as fully paid, by Success Chariot for consideration of HK\$8,000,000.0 in cash; and (ii) on 30 September 2016, Mr. Li transferred the 2,148,000 shares, representing 21.48% of the then issued share capital of Windmill Engineering, to Success Chariot at the total consideration of HK\$8,816,181.95 which was determined based on 21.48% of the total unaudited net asset value of Windmill Engineering as at 28 September 2016, which was settled, at the direction of Mr. Li, by way of (a) Success Chariot allotting and issuing one new share of Success Chariot, credited as fully-paid, to our Company; (b) our Company crediting the one nil-paid Share held by Golden Page as fully-paid; and (c) Golden Page allotting and issuing one new share of Golden Page, credited as fully-paid, to Mr. Li, which were all fully settled on 28 September 2016 and have been properly and legally completed. As a result the Reorganisation and as at the Latest Practicable Date, Windmill Engineering had a total of 10,000,000 shares in issue which were 100% held by Success Chariot.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### PRE-IPO INVESTMENT

#### Overview of the Pre-IPO Investment

On 20 September 2016, our Company, Mr. Li, Golden Page and the Pre-IPO Investor entered into the Subscription Agreement pursuant to which the Pre-IPO Investor conditionally agreed to subscribe for 2,999 Shares (representing approximately 29.99% of the shareholding of our Company at the time of completion of such Pre-IPO Investment) for a total cash consideration of HK\$12,000,000.0 (“**Pre-IPO Share Subscription**”). On 7 October 2016 and immediately upon completion of the Pre-IPO Share Subscription, our Company, Mr. Li, Golden Page and the Pre-IPO Investor entered into the Shareholders Agreement to regulate the business, affairs and management of our Group and the relationship between Golden Page, the Pre-IPO Investor and our Company.

#### Details of the Subscription Agreement and the Shareholders Agreement

Set out below are the details of the Subscription Agreement and the Shareholders Agreement:

Date of the Subscription Agreement	20 September 2016
Date of the Shareholders Agreement	7 October 2016
Parties to the Subscription Agreement and the Shareholders Agreement	Our Company, the Pre-IPO Investor, Golden Page and Mr. Li
Number of Shares issued by our Company	2,999 Shares (“ <b>Subscription Shares</b> ”)
Amount of consideration paid to our Company	HK\$12,000,000.0 (“ <b>Total Subscription Price</b> ”)
Payment and completion date of the Pre-IPO Investment	7 October 2016
Total number of Shares held by the Pre-IPO Investor after the Capitalisation Issue	179,940,000 Shares
Percentage shareholding held by the Pre-IPO Investor	Approximately 29.99% of the total issued shares of our Company before and after the Capitalisation Issue but before the Share Offer  Approximately 22.49% of the total issued shares of our Company immediately after 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 and the Offer Size Adjustment Option)

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Cost per Share paid	Approximately HK\$4,001.3 per Share before the Capitalisation Issue
	Approximately HK\$0.067 per Share after the Capitalisation Issue
Discount to the Offer Price	Approximately 77.7% discount to the Offer Price assuming the Offer Price of HK\$0.3, being the mid-point of the Offer Price range
Use of proceeds	<p>The aggregate amount of HK\$20 million comprising the proceeds from the Pre-IPO Investment of HK\$12 million and the HK\$8 million from the Further Investment shall be used for the sole purpose of paying the listing expenses of our Group in connection with the Listing</p> <p>As at the Latest Practicable Date, part of the HK\$20,000,000.0 from the Further Investment and the proceeds of Pre-IPO Investment had been utilised by our Company in paying the listing expenses in connection with the Listing incurred so far</p>

The consideration paid by the Pre-IPO Investor in Pre-IPO Share Subscription (hence the Shares upon Listing) was determined based on arm's length negotiation and by reference to the financial position and net asset value of our Group at the time, the investment risk assumed by the Pre-IPO Investor in investing in an unlisted company, the strategic benefits which would be brought by the Pre-IPO Investment to our Group and taking into account the 12-month Lock-Up Restriction (as defined below) undertaken by the Pre-IPO Investor commencing on the Listing Date. The Pre-IPO Share Subscription was properly and legally completed and the consideration has been duly settled.

### Information regarding the Pre-IPO Investor

The Pre-IPO Investor is a company incorporated in the BVI with limited liability and is owned as to 66.67% by Marvel Paramount Investments Limited and as to 33.33% by Super Million Two (BVI) Limited. Marvel Paramount Investments Limited is a company incorporated in the BVI and is wholly and beneficially owned by Mr. Ma Ting Wai Barry, who was an Independent Third Party prior to the Pre-IPO Share Subscription. Mr. Ma Ting Wai Barry has extensive experience in the IT, financial and digital media fields, which is accumulated through direct investments and business development of companies in the aforesaid fields. He is also an executive director of Miricor Enterprises Holdings Limited, a company listed on GEM (stock code: 8358). Super Million Two (BVI) Limited is a company incorporated in the BVI and is wholly-owned by Opus Special Situation Fund 1 LP ("OSSF"), a private equity fund registered under an exempted limited partnership structure in the Cayman Islands managed by its general partner, Opus SSF Management Limited, a company incorporated in the Cayman Islands with limited liability and its investment manager, Opus Capital Management Limited, a corporation licensed under the SFO to conduct Type 9 (asset management) regulated activity under the SFO.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Save as disclosed above and its nomination of Mr. Cheung Wai Hung as a Director, the Pre-IPO Investor, its holding company, its Controlling Shareholder other than its holding company, and its ultimate beneficial owners do not have any other relationship with our Group, our Shareholders, our Directors, our senior management, any connected persons of our Company and any of their respective associates. As at the Latest Practicable Date, Mr. Cheung Wai Hung held the positions as a director of the Pre-IPO Investor, Opus SSF Management Limited and Opus Capital Management Limited. The acquisition of the Subscription Shares and hence the Shares upon Listing by the Pre-IPO Investor was not financed directly or indirectly by any connected person of our Company (other than the Pre-IPO Investor and/or its beneficial owners).

The Pre-IPO Investor has been granted the following special rights under the Subscription Agreement and the Shareholders Agreement:

- (a) **Guaranteed Targets and First Put Option** (*Note*) Golden Page and Mr. Li jointly and severally guarantee our Group achieving an audited combined net profit after interest, taxation and depreciation and amortisation (excluding listing expenses) (“**NPAT**”) of not less than HK\$14.5 million and an audited positive cashflow generated from operating activities in our Group’s ordinary and usual course of business (“**Operating Cashflow**”) of not less than HK\$17.3 million for the financial year ending 30 April 2017 (“**Last Delivery Date**”) (together the “**Guaranteed Targets**” and each a “**Guaranteed Target**”).

If any of the Guaranteed Targets is not met or if the audited accounts of our Group for the financial year ending 30 April 2017 is not delivered to the Pre-IPO Investor by 31 July 2017, the Pre-IPO Investor shall have the right (“**First Put Option**”) to require Golden Page and Mr. Li to purchase all or part of the Shares owned by the Pre-IPO Investor (“**First Put Shares**”) at the price equal to the sum of the Total Subscription Price and a fixed rate interest (on pro rata basis if the First Put Option is exercised for only some of the shares owned by the Pre-IPO Investor) within the period commencing from the delivery date of such audited accounts or, in case of default, the Last Delivery Date, and ending on the Listing Date or the date of commencement of the Second Put Option Period (as defined below) or such later date as Golden Page, Mr. Li and the Pre-IPO Investor may agree in writing.

In the event that the Listing takes place before the First Put Option is exercised, the guarantee in relation to the Guaranteed Targets and any rights under the First Put Option shall be deemed to lapse and be of no further effect upon completion of the Listing.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (b) **Second Put Option** (*Note*)
- Upon the occurrence of any triggering event (“**Triggering Event**”) including if Mr. Li and/or Golden Page takes any action detrimental to the implementation of the Listing; if Mr. Li ceases to ultimately own at least 51% interest of Windmill Engineering; Mr. Li or Golden Page terminates the Listing without the Pre-IPO Investor’s consent; or in the event of insolvency, winding-up, bankruptcy or analogous proceedings in respect of Golden Page or Mr. Li or any of their business or assets, the Pre-IPO Investor shall have the right to require Golden Page and Mr. Li to purchase all or part of the Shares owned by the Pre-IPO Investor (“**Second Put Shares**”) at the price equal to the sum of the Total Subscription Price and a fixed rate interest (on pro rata basis if the Second Put Option is exercised for only some of the Shares owned by the Pre-IPO Investor) within the period of three months after a default notice is issued by the Pre-IPO Investor in writing stating that a Triggering Event has occurred.
- In the event that the Listing takes place before the Second Put Option is exercised, any rights under the Second Put Option shall be deemed to lapse and be of no further effect upon completion of the Listing.
- Note:* The rights of the Pre-IPO Investor under the First Put Option and the Second Put Option shall be suspended during the periods (i) commencing on the date of the Company’s submission of each application for new Listing to the Stock Exchange (the “**Application**”) and ending on the date on which the Application is withdrawn, lapses (and no re-filing is made within three months from the date the Application lapses) or is rejected or returned by the Stock Exchange (both dates inclusive) and (ii) commencing on the date of filing of a review request or appeal request to the Stock Exchange against the decision of rejection or return of an Application and ending on the date on which the review or appeal is rejected.
- (c) **Restriction on transfer**
- Mr. Li and Golden Page shall not, without the prior written consent of the Pre-IPO Investor, dispose of any direct or indirect interest in the Shares or any securities of our Company or Golden Page resulting in Mr. Li ceasing to be directly or indirectly beneficially interested in at least 51% of the Shares in issue.
- (d) **Right of first refusal**
- If any Shareholder proposes to dispose of its Shares or securities of our Company (“**Offered Shares**”) at a given price (“**Offered Price**”) otherwise than transfer to its ultimate beneficial owner(s) or holding company or a fellow wholly-owned subsidiary of its ultimate beneficial owner(s) or holding company, the other Shareholder(s) shall have the first right to purchase such Offered Shares at the Offered Price together with the proportionate shareholder loan owing by our Company to the selling Shareholder.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (e) **Compulsory Purchase on default** In the event of insolvency, winding-up, bankruptcy or analogous proceedings in respect of any Shareholder or any of its/his business or assets (“**Default**”), the other Shareholder(s) shall be entitled to purchase all or any of the Shares owned by the Shareholder committing the Default at the price being the product of (a) the net asset value of our Group as shown in the audited accounts of the Company for the immediate previous financial year (“**A**”) and (b) the percentage shareholding of the Shareholder committing the Default, and, if such audited accounts are not available within three months from the date on which the non-defaulting shareholder giving notice to exercise this right, then A shall be deemed to equal to a fixed sum.
- (f) **Price adjustment clause** In the event the Company issues securities at an effective issue price per Share (“**New Issue Price**”) below the subscription price per Share paid by the Pre-IPO Investor, the Pre-IPO Investor shall have a right to full ratchet protection such that additional new Shares shall be issued to the Pre-IPO Investor at no cost so that its entry price per Share after the issuance of the additional Shares to it shall equal to the New Issue Price (“**Price Adjustment Clause**”).
- (g) **Director nomination right** So long as the Pre-IPO Investor holds any Shares, it shall have the right to nominate one person to be appointed as a Director and to request for removal and substitution of such Director from time to time.
- (h) **Veto rights** Unanimous approval of all Directors including the Director nominated by the Pre-IPO Investor or resolution passed by all Shareholders is required for matters in relation to certain major corporate actions of our Group or any member of our Group including without limitation: change in share capital such as share consolidation, sub-division, capital reduction or issue of new shares, grant of share options, purchase or redeem shares, creating encumbrance on assets other than in the ordinary course of business; declaration of dividend, setting annual budget, material change in the scope or nature of business, amendments to constitutional documents, merger and acquisitions or formation of joint venture.
- (i) **Information rights** The Pre-IPO Investor shall have the right to receive periodic financial information of our Group including monthly management accounts of our Group, annual budget and business plans of our Group and any information material to the business or finance or prospects of our Group.
- (j) **Use of funds in the jointly controlled bank account** The funds in the aggregate amount of HK\$20,000,000.0 from the Further Investment (as defined above) and the proceeds of Pre-IPO Investment shall be kept in a bank account jointly controlled by Mr. Li and the Pre-IPO Investor’s designated representative and shall be used for the sole purpose of paying the listing expenses of our Group in connection with the Listing.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The Shareholders Agreement contains provisions (“**Waiver Provision**”) such that any party thereto entitled to any rights, benefits and/or interests thereunder may at any time by giving a written notice to all the other parties thereto, unilaterally waive, reduce, release or compromise any of its/his rights, benefits and interests thereunder, or grant any extension of time or any other form of indulgence to any of the other parties thereto, in which event, the legality, validity and enforceability of the remaining provisions of the Shareholders Agreement and any other liabilities and obligations of the other parties thereunder which have not been waived shall not be affected or impaired. In addition, the Shareholders Agreement also contains a provision that any amendment, waiver or variation to any clause thereunder does not constitute a new agreement between the parties thereto (“**Variation Provision**”).

A waiver was granted by the Pre-IPO Investor on 6 January 2017 (“**Waiver**”) pursuant to which the Pre-IPO Investor unconditionally and irrevocably agreed to waive all its rights, benefits and/or interests and all the obligations and liabilities of Golden Page, Mr. Li and our Company to the Pre-IPO Investor arising from or under the Price Adjustment Clause of the Shareholders Agreement. As advised by our Hong Kong Legal Adviser, the Waiver Provision confers on any party to the Shareholders Agreement the right and power that he/it (“**Compromising Party**”) may unilaterally waive, reduce, release or compromise any of its/his rights, benefits and interests under the Shareholders Agreement and/or unilaterally release the other party(ies) from performing their/his/its obligations owing to the Compromising Party. Accordingly, as advised by our Hong Kong Legal Adviser, the waiver of its rights under the Price Adjustment Clause by the Pre-IPO Investor pursuant to the Waiver and in light of the Waiver Provision and Variation Provision of the Shareholders Agreement will not constitute a new agreement between the parties to the Shareholders Agreement.

Save as mentioned above, no other special rights have been granted to the Pre-IPO Investor under the Subscription Agreement and the Shareholders Agreement and all the special rights mentioned above shall automatically cease to have any effect on the Listing Date.

### **Lock-up and public float**

The terms of the Subscription Agreement and the Shareholders Agreement did not impose any lock-up obligations over the Shares held by the Pre-IPO Investor upon Listing. The Shares held by the Pre-IPO Investor are however subject to the lock-up restrictions pursuant to the undertakings given by it in favour of our Company and the Joint Bookrunners so that the Pre-IPO Investor shall not dispose of any of the Shares held by it (“**Lock-Up Restriction**”) for a period of 12 months commencing on the Listing Date (“**Lock-Up Period**”).

Since the Pre-IPO Investor will be holding more than 10% of the total issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer and hence will be a substantial Shareholder under the GEM Listing Rules, the Shares held by the Pre-IPO Investor will not be counted as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules.

### **Strategic benefits of the Pre-IPO Investment**

Our Company believes that the Pre-IPO Investment provides additional capital to our Company and we will benefit from the Pre-IPO Investor’s strategic input in the management and general corporate governance practices of our Company and the improvement of our Company’s financial reporting and internal controls. We will retain Mr. Cheung Wai Hung, who was nominated by the Pre-IPO Investor

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

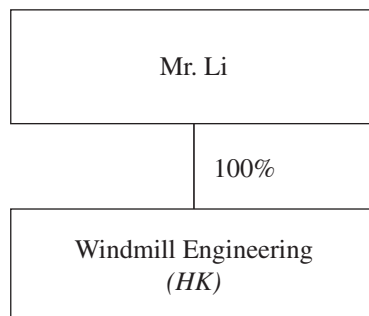
under the Subscription Agreement and Shareholders Agreement, as our non-executive Director to provide on-going support to our Company in formulating our overall corporate strategies, internal control and risk management policies given his extensive managerial experience in the investment and finance industry and his professional qualifications as a CFA Charterholder and a qualified member of CPA Hong Kong.

### Sole Sponsor's view

Since the Pre-IPO Investment was unconditionally completed and the consideration for the Pre-IPO Investment was fully settled more than 28 clear days before the date of our Company's submission of the Listing application form to the Stock Exchange and all the special rights granted to the Pre-IPO Investor under the Subscription Agreement and the Shareholders Agreement (as varied by the Waiver) shall be terminated upon Listing, the Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Interim Guidance on pre-IPO investments (HKEx-GL29-12) issued by the Stock Exchange in January 2012 and the Guidance on pre-IPO investments (HKEx-GL43-12) issued in October 2012 and updated in July 2013.

### CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately before the Reorganisation:



### REORGANISATION

The Reorganisation consisted of the following major steps:

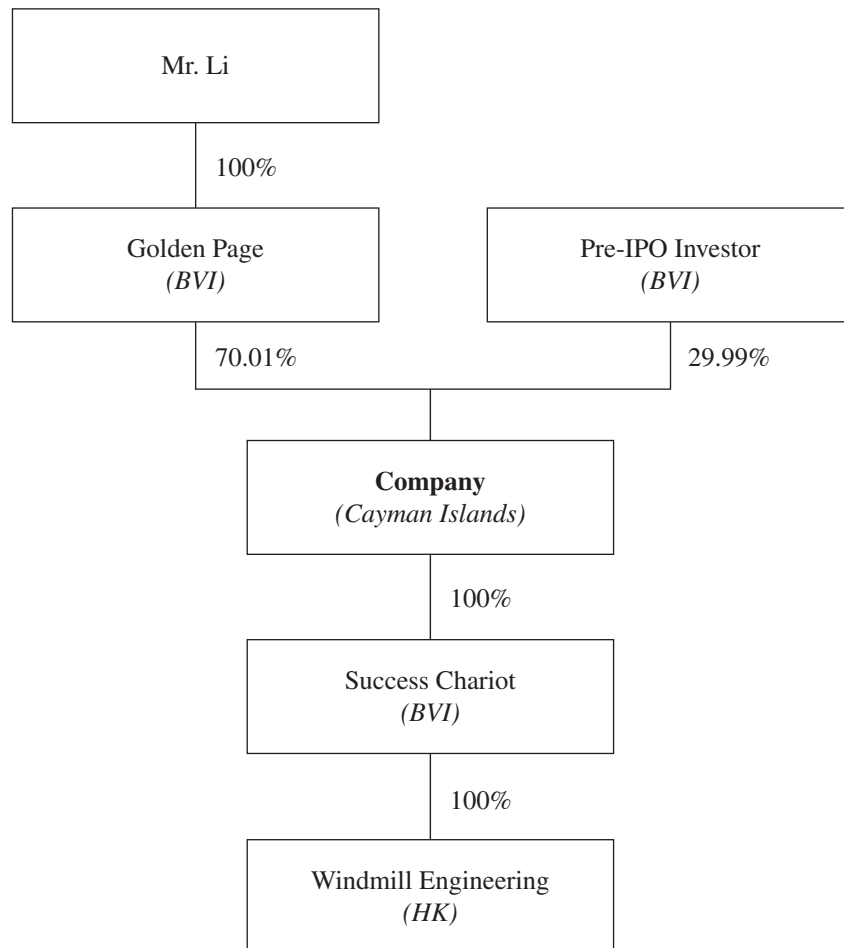
- Step 1. Incorporation of Success Chariot and allotment and issue of one share of Success Chariot, credited as fully-paid, to our Company on 25 August 2016;
- Step 2. Incorporation of our Company and allotment and issue of one nil-paid subscriber Share of our Company to Golden Page on 25 August 2016;
- Step 3. Further investment of HK\$8,000,000.0 by Mr. Li through Golden Page by way of the subscription of 7,000 new Shares, credited as fully-paid, by Golden Page at the aggregate consideration of HK\$8,000,000.0; the subscription of one share of Success Chariot, credited as fully-paid, by the Company at the aggregate consideration of HK\$8,000,000.0; and subscription of 7,852,000 new shares of Windmill Engineering, credited as fully-paid, at the aggregate consideration of HK\$8,000,000.0, all completed on 28 September 2016 ("**Step 3**");

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- Step 4. Acquisition of 2,148,000 issued shares of Windmill Engineering by Success Chariot from Mr. Li; allotment and issuance of one share of Success Chariot, credited as fully-paid, to our Company; and our Company crediting the one nil-paid Share held by Golden Page as fully-paid, all completed on 30 September 2016;
- Step 5. Subscription of 2,999 new shares of our Company, credited as fully-paid, by the Pre-IPO Investor at the aggregate consideration of HK\$12,000,000.0 completed on 7 October 2016.

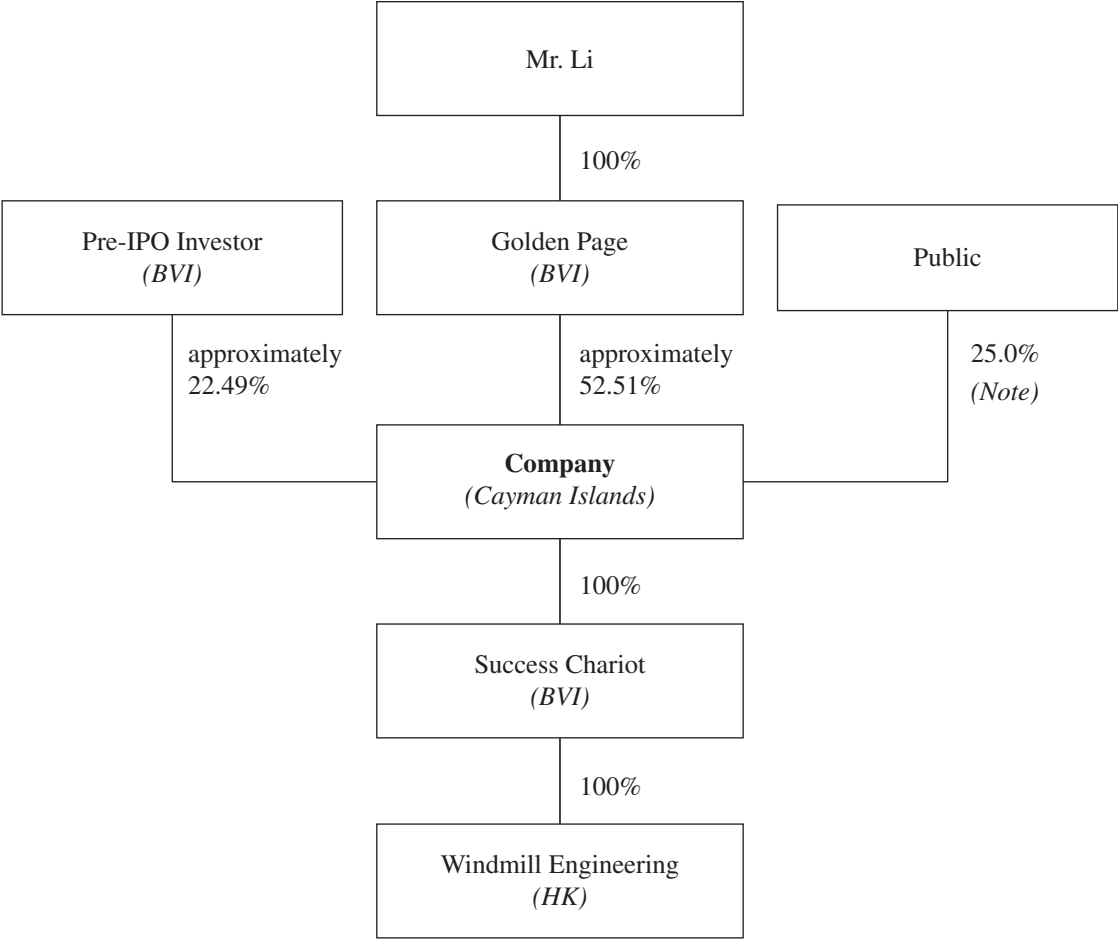
Please see the paragraphs headed “Corporate History” in this section for further details of the abovementioned Reorganisation steps.

As at the Latest Practicable Date, the Reorganisation has been legally completed. The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer:



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into consideration any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option):



*Note:* Immediately upon completion of the Capitalisation Issue and the Share Offer, the public will hold 25.0% of the issued share capital of our Company and the shareholding interest of Success Chariot and the Pre-IPO Investor will be diluted to approximately 52.51% and approximately 22.49% respectively of the issued share capital of our Company (assuming no exercise of the Offer Size Adjustment Option).

## **OVERVIEW**

We are a registered fire service installation contractor, qualified to undertake works in respect of the installation, maintenance, repairs or inspection of fire safety systems in Hong Kong. We ranked the ninth among the registered fire service installation contractors in Hong Kong in terms of revenue attributable to provision of fire safety services for the year 2015, according to the CIC Report.

Fire safety systems mainly consist of fire alarm systems, water and gas expression systems, fire hydrant and hose reel systems, emergency lighting systems and portable fire equipment. Our services mainly include (i) design, supply and installation of fire safety systems for buildings under construction or re-development (referred to as “installation services” or “installation projects”); and (ii) maintenance and repair of fire safety systems for built premises (referred to as “maintenance services” or “maintenance projects”).

## **MARKET AND COMPETITION**

According to the CIC Report, there were 335 registered fire service installation contractors (either in Class 1 and/or Class 2 under the Fire Service (Installation Contractors) Regulations) in Hong Kong as of 1 December 2016 and the fire safety service market is relatively fragmented, as a large portion of market participants are small to medium sized companies. Also according to the CIC Report, the total revenue of fire safety services industry amounted to HK\$8,803.2 million for the year 2015, and our market share was 1.4%.

The industry has comparatively high entry barriers due to the need to (i) establish track record of experience and quality services; (ii) establish and maintain networks with customers, subcontractors and suppliers; and (iii) meet the basic licencing and qualification requirements and higher standard for entitlement to undertake public works projects. For further details on the competitive landscape of the fire safety industry in Hong Kong, please refer to the section headed “Industry Overview” in this prospectus.

Our Directors believe that despite the large number of competitors in the industry, our competitive strengths set out below will enable us to maintain our position as one of the active market players in the fire safety service in Hong Kong.

## **COMPETITIVE STRENGTHS**

We believe that our success to date and our potential for future growth are attributable to a combination of our competitive strengths set out below.

### **Experienced and active industry player with established reputation and proven track record**

According to the CIC Report, as of 1 December 2016, among the 335 registered fire service installation contractors, only 17 and 38 fire service installation contractors were admitted by the Development Bureau as specialist contractors under Group I (eligible to tender for contracts up to HK\$2.3 million) and Group II (eligible to tender for contracts of unlimited value) of the fire service installation category on the List of Approved Contractors for Public Works, respectively. Furthermore, there are only 16 approved fire service and water pump contractors that can tender for the contracts of Housing Authority.



## BUSINESS

We have gained vast experience and developed substantial expertise in the fire safety industry since the 1980s. We obtained wide range of licenses and qualifications for rendering fire service contracting work. Other than being registered in both Class 1 and Class 2 license under the Fire Services (Installation Contractors) Regulations, we are included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works by the Works Branch of the Development Bureau as an approved specialist contractor for Fire Service Installations (Group II). We have also been an approved fire service and water pump contractor of the Housing Authority for more than ten years. Being qualified to tender for public works enables a registered fire service installation contractor to have a more diversified customer base, which creates more business opportunities.

Throughout the years, we have participated in and been responsible for fire service installation and maintenance work for various departments of the Government, Government-related organisations and numerous large scale infrastructure projects in Hong Kong. These include fire safety system work for a railway link and fire safety system maintenance work for premises of an airport for a Government department. We have also installed fire safety systems for various data centres for telecommunication companies. Our revenue increased by 55.2% from HK\$79.9 million for the year ended 30 April 2015 to HK\$124.0 million for the year ended 30 April 2016.

We believe we can further leverage on our qualifications and portfolio to tender for more works. We also believe being one of the active players in the industry enables us to gain credit in the tender process for securing awards of new contracts, and hence expand our business.

### **Well-established relationships with our subcontractors and suppliers**

We subcontract part of the labour works to subcontractors based on the scale of the projects, manpower needed and complexity of the work. Fire service installation is a specialist work and as a result of the Government's policy on strict control of labour importation, there is only a limited number of workers with such speciality in Hong Kong to render high quality of service. Also, stable and on-time delivery of quality fire safety system and equipment helps to ensure completion of works in time. We therefore consider maintaining good relationships with our subcontractors and suppliers of materials are of utmost importance to the success of our business.

Close relationships with a stable list of reliable subcontractors and suppliers would enable us to obtain quotes and prepare tender documents in an efficient manner. It would also enable us to provide quality work in a timely manner, whereby we can procure the necessary services and supplies as and when they are needed from time to time, reducing the risk of shortage or delay in delivery of services causing disruption to our works or delay in the relevant project as a whole.

We believe that our reputation in the industry of on-time settlement of accounts payable helps us to build a stable network of quality suppliers and subcontractors. We have therefore cultivated long term and well-established relationships with the major subcontractors and suppliers of fire safety system equipment in Hong Kong. During the Track Record Period, we established business relationship with our major suppliers and subcontractors for up to eight years.

**Stringent quality assurance under comprehensive management system**

We are committed to provide high quality works and services. We have adopted a set of stringent quality assurance measures which comprise of monitoring, verifying and validating the works and materials to ensure that high quality works and services are delivered to our customers.

We set up a project team for each project which is led by a project manager and supported by project engineer(s). Our project manager sets project quality plan for each project which is implemented by our project engineers. We only purchase fire service equipment and other raw materials and assign work to subcontractors who are on our approved lists. Our project engineers would conduct onsite checking when the raw materials are delivered onsite. Our project teams conduct various checking on system design and conduct system testing to ensure it is in compliance with the requirements of the Fire Services Department and our customers. For details, please refer to the subsection headed “Business — Quality Control” in this prospectus.

We were accredited with the ISO 9001 certificate for our management system for design, supply, installation, commissioning and maintenance of fire services and water pump systems. Also, we have set up a comprehensive occupational health and safety management system to promote safe working practices among employees and to prevent the occurrence of accidents through promoting safety awareness at the front line level. Our occupational health and safety management system has been certified to be in compliance of OHSAS 18001. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from our works. Our environmental management system has been certified to be in compliance of ISO 14001.

Accrediting with ISO 9001, OHSAS 18001 and ISO 14001 equips us with the eligibility to tender for public works. It is one of the prescribed statutory registration requirements for a contractor to be included in the list of qualified contractors and service providers of the Housing Authority. Other than equipping ourselves with the eligibility to take part in large scale works, we believe maintaining a stringent quality assurance under comprehensive management system promotes customer satisfaction and the success rate of tendering as a whole.

**Experienced, stable and dedicated management team**

We are led by a seasoned management team with extensive experience in the industry. Mr. Li, our Controlling Shareholder and executive Director, has more than 30 years of experience in fire safety service industry, including business development and project planning and management for fire service contracting works. Mr. Li was appointed as the Chairman of District Fire Safety Committee (Wan Chai District) of the Home Affairs Department from 2010 to 2013 and a non-official member of the Advisory Committee under the Fire Safety (Buildings) Ordinance (Chapter 572 of the Laws of Hong Kong) appointed by the Director of Fire Services. Mr. Poon, another executive Director, has more than 20 years of experience in the fire safety service industry. Mr. Poon has been responsible for tendering submission and business development.

Our project managers and engineers have extensive industry and technical knowledge in the fire safety industry. A number of our project managers and project engineers are registered electrical workers and have more than 15 years of experience in the industry. Mr. Lam Tai Ming, a member of our senior management team, is a registered fire service installation contractor with the Fire Services

## BUSINESS

Department in Class 3 under the Fire Services (Installation contractors) Regulations, qualified to undertake works in respect of the installation, maintenance, repairs and inspection of portable fire service equipment in Hong Kong. Mr. Lam Tai Ming has joined us for more than 20 years.

The experience of our management team is fundamental to our Group in building a solid foundation for the subsequent development of our business. For details, please refer to the section headed “Directors and Senior Management” of this prospectus.

### BUSINESS STRATEGIES

According to the CIC Report, it is expected that the total revenue of the Hong Kong fire safety industry will reach HK\$15,423.7 million in 2020, with a CAGR of 11.9% from 2015 to 2020. The revenue of installation services is expected to reach HK\$11,567.8 million in 2020, with a CAGR of 11.1% from 2015 to 2020. The revenue of maintenance services is also expected to reach HK\$3,855.9 million in 2020, with a CAGR of 14.3% from 2015 to 2020. We aim to expand our business to maintain and strengthen our market position by pursuing the following strategies:

#### **Continuous active participation in public work projects and commercial building projects**

We strive to strengthen our market position in the fire safety industry in Hong Kong. We aim to have continuous active participation in providing installation services for (i) fire safety system work in public sectors and (ii) advanced fire safety system work in private sectors such as data centres for telecommunication companies.

The Government has mentioned in its 2016 policy address that it will (i) increase land supply for the construction of public housing to satisfy public demand such that the production of public residential unit will reach 97,100 between 2016 to 2021; and (ii) continue to carry out various mega infrastructure projects to maintain the competitiveness of Hong Kong. According to the CIC Report, the Ten Major Infrastructure Projects announced by the Government in 2007 (such as the Kai Tak Development Projects (啟德發展計劃) and the second half construction stage of Shatin to Central Link (沙田至中環線)) would continue to stimulate the demand for fire safety services in the coming years. As one out of 38 approved specialist contractors for Fire Service Installations (Group II) of the Development Bureau and one out of 16 approved fire service and water pump contractors of the Housing Authority as of 30 September 2016, we will leverage on our qualifications to tender public works.

Types of fire system and equipment required depend on the types and uses of buildings or premises. Owners and/or occupiers may require higher standard of fire safety system than the law requires due to the need of a high standard for the prescribed purpose of the buildings or premises that are built for. For example, owners of buildings or premises built for server rooms and data storage require a higher level fire safety system to prevent losing important data from fire accidents. In such cases, customers would require fire extinguishing gas system(s) rather than sprinklers to avoid destroying computer systems and data, even if the costs for the fire extinguishing gas system are higher. According to the CIC Report, an increasing number of data centres have been built and will be built in the future, and it is expected that the demand for advanced fire safety systems (systems with hybrid fire alarm panel and gas sprinklers etc.) would increase in the coming years.

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We plan to keep up our resources for tendering and providing services for fire safety systems in public sectors and advanced fire safety systems for private buildings. We believe our historical job references of undertaking works for fire safety systems for public sectors and advanced fire safety systems would increase our relevant tender success rates.

In the above connection, other than increasing our workforce for execution of potential projects, we would need funding to enhance our capability (i) to finance the net cash outflows required in the early stage of execution of projects, including making upfront payments to suppliers and subcontractors; and (ii) to provide performance bonds. Provision of performance bonds in the amount representing up to 10% of the contract sum issued by a bank in favour of the customers to secure our due performance of the contracts by contractors is a common condition listed in tender documents. Our management considers that enhancing our capability to provide performance bonds would promote our chances of success of tender and our capability to undertake more projects as a whole.

### **Expand our maintenance service business**

According to the CIC Report, compared to the installation segment, the maintenance segment experienced a more significant growth from 2010 to 2015.

The rapid growth was mainly fuelled by government building renovation programmes and frequent government inspections. CIC forecasted that the market size for fire service maintenance services would reach HK\$3,855.9 million by 2020 with a CAGR of 14.3%.

According to the Government website, it was forecasted that there would be 13 invitations to tender for fire service maintenance term contracts during 2016 and 2017.

Revenue from maintenance services amounted to HK\$21.8 million, HK\$31.5 million and HK\$6.3 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, representing 27.3%, 25.4% and 17.2% of our total revenue for the corresponding periods respectively.

As compared to installation projects, maintenance projects tend to be more stable in various aspects. Contracts for fire service maintenance work generally last up to three years and the service fees are more evenly distributed throughout the contract period. The timetable is more predictable and it is easier to manage from financial and human resources aspects. Our management considers that it would be beneficial to our Group to expand our maintenance business which helps to allocate the overall risks of the business.

We plan to expand our maintenance business by increasing our workforce responsible for identifying tenders for maintenance projects (with a focus on those in the public sector) as well as preparing tender documents.

Leveraging on our experience in participating in large scale projects for Government departments and Government-related organisations and success in awards of maintenance projects in public sectors, we believe we have ability and business edge to further secure relevant contracts. Our Directors believe expanding our maintenance service business would contribute to a healthy organic growth to our business in the long run.

**Streamlining our fire service installation process**

We plan to develop a central pre-fabrication piping workshop to streamline our fire service installation process to expedite the installation process and reduce labour costs.

Tailored cutting of ancillary raw materials to the relevant fire safety system, such as water pipes into the desired measurements is part of the tedious preparation procedures for installation of fire safety systems onsite. Unlike some other countries such as Singapore and France, it is the current market practice in Hong Kong to process the cutting of raw materials onsite. Given that the process requires large scale machinery with high powered electricity sockets, and produces cutting residue, it would be much more preferable for customers if such process could be done offsite which could provide tidier worksite. Also, as the cuttings are carried out after the materials are delivered onsite, it takes much longer time to install the fire safety system in such a manner as compared to installing the system with pre-fabricated materials which have been cut into desired measurements offsite. Using pre-fabricated materials not only promote the efficiency of the installation and hence save labour costs, it also reduces wastage of raw materials.

We plan to apply 18.7% of the net proceeds from the Share Offer to set up a pre-fabrication piping workshop. The workshop would be equipped with (i) engineering software for raw materials planning and (ii) various cutting machines. The measuring of areas requiring installation of fire safety system is conducted onsite in advance to obtain parameters of the materials needed. The engineering software would process the measurement data with the fire safety system drawings to come up with the number of pieces of relevant raw materials needed together with their measurements. Machines will tailor-cut the parts needed with desired measurements. The pre-fabricated and pre-casted raw materials packs would then be sent to the relevant construction site for installation.

If the pre-fabrication piping workshop works well, we expect it would not only promote efficiency and save labour costs, but also create potential business opportunities for selling pre-fabrication and pre-casted packs to other industry players. According to CIC, due to the increasing labour costs, there is a demand for such a service and supply which promotes cost efficiency and facilitates a smoother working process.

**Maintain and further enhance our high standards of project planning, management and implementation**

We target to maintain and further enhance our high standards of project planning, management and implementation.

To enhance our capability and efficiency of project management and overall management, we plan to apply 5.9% of the net proceeds from the Share Offer to purchase an ERP system supported with project management software relating to construction engineering, which supports design drawings, project planning and budgeting, raw materials planning, costs planning, recording and tracing of status of projects, which facilitates reporting to customer and overall monitoring of the projects as well as financial reporting function.

## BUSINESS

We believe that our ability to maintain our services at a high standard would improve customer satisfaction and in turn enhance our capability to compete with other industry peers in the future.

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

### OUR SERVICES AND BUSINESS MODEL

To better protect occupants, users and visitors of buildings and premises from the risk of fire, an owner and/or occupier of buildings in Hong Kong shall comply with the relevant fire safety laws, regulations, rules and directions. In particular, a registered fire service installation contractor shall be appointed to carry out the works on the provision or improvement of fire safety system which include, for example, installation or maintenance of automatic sprinkler system, fire hydrant and hose reel system, manual fire alarm system, emergency lighting, mechanical ventilation system and portable fire extinguishers.

We are a registered fire service installation contractor, qualified to undertake fire service installations and equipment works as required under the relevant laws. Types of fire system and equipment required depend on the types of buildings or premises and their relevant uses. Owners and/or occupiers may require a higher standard of fire safety system than the statutory requirements depending on the prescribed purpose for which the buildings or premises are built.

Our services mainly include (i) design, supply and installation of fire safety systems for buildings under construction or re-development (referred to as “installation services” or “installation projects”); and (ii) maintenance and repair of fire safety systems for built premises (referred to as “maintenance services” or “maintenance projects”). As a non-exclusive distributor of a branded fire service equipment, we occasionally sell such branded fire service equipment to other registered fire service installation contractors.

The table below sets out the breakdown of our revenue and percentage of contribution to the total revenue of our Group by business segments, for the periods indicated:

	Year ended 30 April				Five months ended 30 September			
	2015		2016		2015		2016	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Installation projects	56,878	71.2	91,542	73.8	25,496	82.9	30,279	82.5
Maintenance projects	21,795	27.3	31,455	25.4	4,398	14.3	6,314	17.2
Others ( <i>Note</i> )	1,209	1.5	992	0.8	871	2.8	106	0.3
<b>Total</b>	<b>79,882</b>	<b>100.0</b>	<b>123,989</b>	<b>100.0</b>	<b>30,765</b>	<b>100.0</b>	<b>36,699</b>	<b>100.0</b>

*Note:* “Others” refer to the trading of fire service equipment including branded fire services equipment under a distributorship agreement with an internationally branded fire service equipment supplier.

## BUSINESS

As a registered fire service installation contractor, we are involved in the day-to-day management and implementation of installation and maintenance of fire safety system projects awarded to us. We are responsible for project management and sourcing of necessary fire service equipment for the work. For flexible manpower management and minimising the fixed costs for employing large teams of technicians, we may delegate part of the labour intensive installation work to selected subcontractors depending on the scale, availability of resources, labour-intensiveness of the work involved and cost effectiveness. We monitor and control quality of the work from time to time. Upon completion of the work, our project engineers would inspect the work done to ensure that the fire safety system installed complies with the requirements under the Fire Services Ordinance. We are responsible for issuing the Certificate of Fire Service Installation and Equipment to the Fire Services Department. We receive progress payments from our customers based on the site work done, pursuant to tender documents and contracts for the relevant projects.

For details of the operating procedures of our business, please refer to the subsection headed “Business — Operation Procedures” in this prospectus.

Since 1994, we have been included on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works by the Works Branch of the Development Bureau as an approved specialist contractor for Fire Service Installations (Group II), qualified to undertake relevant works of an unlimited contract sum.

During the Track Record Period, we undertook installation and maintenance works for both the private and public sectors. The table below sets out the breakdown of our revenue and percentage of contribution to the total revenue of our Group by the following segments: (i) private sector work; and (ii) public sector work, for the periods indicated:

	Year ended 30 April				Five months ended 30 September			
	2015		2016		2015		2016	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Public sector	46,212	58.7	59,676	48.5	10,300	34.5	19,177	52.4
Private sector	<u>32,461</u>	<u>41.3</u>	<u>63,321</u>	<u>51.5</u>	<u>19,594</u>	<u>65.5</u>	<u>17,416</u>	<u>47.6</u>
Total	<u><u>78,673</u></u>	<u><u>100.0</u></u>	<u><u>122,997</u></u>	<u><u>100.0</u></u>	<u><u>29,894</u></u>	<u><u>100.0</u></u>	<u><u>36,593</u></u>	<u><u>100.0</u></u>

*Note:* For the purpose of this prospectus, works from the public sector include contracts in which the ultimate employer is a Government department or Government-related organisation.

# BUSINESS

## OUR PROJECTS

### Project backlog during the Track Record Period

The following table sets out the movement of the number of our projects during the Track Record Period:

	<b>Year ended 30 April</b>		<b>Five months ended 30 September 2016</b>
	<b>2015</b>	<b>2016</b>	
<b>Opening number of projects</b>			
— Installation projects	15	32	33
— Maintenance projects	7	12	9
<b>Number of new projects</b>			
— Installation projects	132	133	50
— Maintenance projects	5	4	—
<b>Number of completed projects</b>			
— Installation projects	115	132	63
— Maintenance projects	—	7	2
<b>Ending number of projects</b>			
— Installation projects	32	33	20
— Maintenance projects	12	9	7

*Notes:*

1. Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year or period indicated.
2. Number of new projects means the number of new projects awarded to us during the relevant year or period indicated, including those projects tendered in the preceding year which are awarded in the relevant year or period.
3. Number of completed projects means the number of projects (i) where the certificates of practical completion have been issued by the consultant or architect appointed by our customers; or (ii) we have agreed with our customers on practical completion by exchange of correspondence; or (iii) we have handed over the project site to our customer during the relevant year or period indicated; or (iv) we have issued Certificate of Fire Service Installations and Equipment to Fire Services Department for all works covered in a maintenance contract.
4. Ending number of projects equals to the opening number of projects plus number of new projects minus number of completed projects during the relevant year or period indicated.



## BUSINESS

The following table sets out the movement of backlog of our projects during the Track Record Period:

	<b>Year ended 30 April</b>		<b>Five months ended</b>
	<b>2015</b>	<b>2016</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
<b>Opening value of backlog</b>			
— Installation projects	33,794	30,675	33,446
— Maintenance projects	67,357	84,440	56,818
<b>Contract sum of new projects</b>			
— Installation projects	53,759	94,313	147,947
— Maintenance projects	38,878	3,833	—
<b>Revenue recognised</b>			
— Installation projects	56,878	91,542	30,279
— Maintenance projects	21,795	31,455	6,314
<b>Ending value of backlog</b>			
— Installation projects	30,675	33,446	151,114
— Maintenance projects	84,440	56,818	50,504

*Notes:*

1. Contract sum of new projects represents the total contract sum of new projects awarded to us during the relevant year or period indicated, including contract sum of those projects tendered in the preceding year which are awarded in the relevant year or period. The contract sum takes into account the additional works or variation orders (if any) certified by the architect appointed by our customers.
2. Ending value of backlog equals to the opening value of backlog plus contract sum of new projects minus revenue recognised during the relevant year or period indicated.

## BUSINESS

### Completed projects

The following table sets forth the information on sizeable projects with contract sum and recognised revenue during the Track Record Period over HK\$1 million that were completed or the contract terms of which had expired:

Particulars and location	Type and particulars of works	Project period (year/month)	Awarded contract sum <sup>(1)</sup> HK\$'000	Year ended 30 April		Five months ended 30 September 2016 HK\$'000	Total revenue recognised during the Track Record Period HK\$'000
				2015 HK\$'000	2016 HK\$'000		
Two hospitals in Tuen Mun, the New Territories, Hong Kong <sup>(2)</sup>	Conducting hydraulic tests and replacing gas cylinders	2013/09–2014/10	2,208	1,944	—	—	1,944
A workshop in Yuen Long, the New Territories, Hong Kong	Installation of fire safety system	2013/10–2015/03	4,146	3,213	—	—	3,213
A data centre at Chun Choi Street, Tseung Kwan O Industrial Estate Phase 2, Tseung Kwan O, the New Territories, Hong Kong <sup>(2)</sup>	Installation of fire safety system	2014/06–2015/02	5,213	5,213	—	—	5,213
A switching station in Pok Fu Lam, Hong Kong	Upgrading of fire safety system of the switching station	2014/08–2015/04	1,225	1,164	—	—	1,164
An interchange substation at Lai Po Road, Stonecutters Island, Kwai Chung Town, Lot No.509, Kowloon, Hong Kong	Installation of fire safety system for the interchange substation	2013/12–2015/05	3,127	1,442	32	—	1,474
A charity centre in Fanling, the New Territories, Hong Kong	Installation of fire safety system	2015/02–2016/02	1,075	253	822	—	1,075
A data centre in Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation, testing, commissioning and maintenance of fire safety system	2014/12–2015/12	18,357	12,769	4,064	1,524	18,357

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Particulars and location	Type and particulars of works	Project period (year/month)	Awarded contract sum <sup>(1)</sup> HK\$'000	Year ended 30 April		Five months ended 30 September 2016 HK\$'000	Total revenue recognised during the Track Record Period HK\$'000
				2015 HK\$'000	2016 HK\$'000		
A data centre at Chun Choi Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation of fire safety system, including gas flooding system, aspirating smoke detection system, automatic and manual fire alarm system, for the data centre	2015/06–2015/11	8,360	—	8,360	—	8,360
A substation at On Sum Street, Shatin, Hong Kong	Supply and installation of fire safety system in the substation	2014/09–2015/12	2,071	—	2,071	—	2,071
A railway depot in Kowloon Bay, Kowloon <sup>(2)</sup>	Enhancement of a drencher system in a railway depot	2014/03–2015/10	13,316	12,120	735	—	12,855
A substation in West Kowloon, Hong Kong	Installation of fire safety system in the substation	2015/04–2016/11	3,590	361	2,921	188	3,470
A residential development at 31 Conduit Road, the Mid-Levels West, Hong Kong	Installation of fire safety system in the residential building, including automatic sprinkler system, automatic fire retention and fire alarm system, and portable fire extinguisher and equipment	2014/12–2016/03	5,480	414	4,491	575	5,480
A data centre of a company providing telecommunication services in Tseung Kwan O, the New Territories, Hong Kong	Design, installation, testing, commissioning and maintenance of fire safety system	2015/06–2016/06	32,518	—	26,463	6,055	32,518
A railway station along Kwun Tong Line Extension <sup>(2)</sup>	Installation of fire safety system in the railway station	2016/01–2016/06	4,995	—	3,992	1,003	4,995
Phase 2 of a bus depot in Kowloon Bay, Kowloon <sup>(2)</sup>	Enhancement of a particular fire safety system	2015/12–2016/08	2,080	—	1,976	—	1,976
A data centre at Chun Choi Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation of fire safety system	2016/06–2016/09	2,080	—	—	2,080	2,080

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Particulars and location	Type and particulars of works	Project period (year/month)	Awarded contract sum <sup>(1)</sup> <i>HK\$'000</i>	Year ended 30 April		Five months ended 30 September 2016 <i>HK\$'000</i>	Total revenue recognised during the Track Record Period <i>HK\$'000</i>
				2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>		
Various hospitals and clinics in the New Territories East <sup>(2)</sup>	Testing and replacement of fire safety systems of the hospitals and clinics	2014/07–2016/07	1,878	—	1,257	—	1,257
A data hall of a company providing telecommunication services in Shatin, the New Territories, Hong Kong	Replacement of fire safety system of the data hall	2015/05–2016/02	1,075	—	1,075	—	1,075
The premises of a hospital in Jordan, Hong Kong <sup>(2)</sup>	Addition, alteration and improvement of the fire safety systems of the premises of the hospital	2015/11–2016/10	2,736	—	122	2,097	2,219
The premises of two Government departments <sup>(2)</sup>	Repair and maintenance of, alterations and additions to the fire safety systems	2013/02–2016/01	15,805	5,159	1,934	654	7,747

*Notes:*

- (1) The awarded contract sum represents the contract sum stated in the original tender documents or contract, which are subject to adjustments due to variation orders and prolongation of the project period.
- (2) Public work projects.

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### Projects in progress

The following table sets forth the information on sizeable projects with contract sum over HK\$1 million that were awarded to us and remained on-going as at the Latest Practicable Date:

Particulars and location	Type and particulars of works	Estimated project period <sup>(1)</sup> (year/month)	Awarded contract sum <sup>(2)</sup> HK\$'000	Year ended 30 April		September		Total revenue recognised during the 30 months ended 30 September	Revenue to be recognised for the year ending 30 April			
				2015	2016	2016	2016		2017	2018	2019	2020
				HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A railway station along Island Line <sup>(3)</sup>	Refurbishment of fire safety system of the concourse, platforms and entrances in the railway station	2016/05–2017/07	4,242	—	—	265	265	265	3,447	795	—	—
A data centre at Chun Choi Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation of fire safety system	2016/08–2017/06	31,309	—	—	1,073	1,073	1,073	26,774	4,535	—	—
A residential property in Tsim Sha Tsui, Kowloon, Hong Kong <sup>(3)</sup>	Maintenance of fire safety system	2014/06–2017/05	2,375	745	1,174	408	2,327	2,327	449	7	—	—
Specified premises at Hong Kong airport, Lantau, Hong Kong <sup>(3)</sup>	Maintenance of fire safety system	2015/01–2017/12	33,802	968	7,564	1,580	10,112	10,112	15,794	9,476	—	—

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Particulars and location	Type and particulars of works	Estimated project period <sup>(1)</sup> (year/month)	Awarded contract sum <sup>(2)</sup> HK\$ '000	Year ended 30 April 2015 HK\$ '000	30 April 2016 HK\$ '000	September 2016 HK\$ '000	Total revenue recognised during the Track Record Period HK\$ '000	Revenue to be recognised for the year ending 30 April			
								2017 HK\$ '000	2018 HK\$ '000	2019 HK\$ '000	2020 HK\$ '000
The premises of a Government-related organisation <sup>(3)</sup>	Repair and maintenance, alteration and addition to the fire safety systems and water pump systems in the premises of a Government-related organisation	2014/04–2017/03	39,948	9,450	14,326	850	24,626	15,566	—	—	—
A railway station along the East Rail Line <sup>(3)</sup>	Installation of fire safety system, including automatic fire alarm and detection system, sprinklers, and total gaseous flooding system	2014/07–2017/04	11,471	4,388	3,620	1,337	9,345	3,463	—	—	—
A railway station in Kai Tak, Kowloon, Hong Kong <sup>(3)</sup>	Installation, testing and commissioning the fire safety system and corresponding accessories in the railway station, including provision of technical information and support, immediate repair works and necessary replacement of accessories	2015/06–2017/04	25,802	—	16,781	5,160	21,941	9,021	—	—	—

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Particulars and location	Type and particulars of works	Estimated project period <sup>(1)</sup> (year/month)	Awarded contract sum <sup>(2)</sup> HK\$'000	Year ended 30 April		30 September 2016 HK\$'000	Total revenue recognised during the Track Record Period HK\$'000	Revenue to be recognised for the year ending 30 April		
				2015 HK\$'000	2016 HK\$'000			2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
A railway station along the East Rail Line <sup>(3)</sup>	Installation of fire safety system in the railway station	2015/06–2017/04	4,700	2,598	1,198	3,796	2,102	—	—	—
The premises of a utility supplier	Maintenance of fire protection equipment	2013/08–2017/04	7,764	2,569	558	5,000	1,162	—	—	—
Specified premises at Hong Kong airport, Lantau, Hong Kong <sup>(3)</sup>	Maintenance of fire safety system	2016/10–2019/05	4,547	—	—	—	909	1,819	1,819	—
A railway station along Shatin to Central Link <sup>(3)</sup>	Installation of fire safety system	2016/10–2018/04	20,380	—	—	—	2,278	18,102	—	—
The premises of various Government departments <sup>(3)</sup>	Repair and maintenance, alteration and addition to fire safety system	2016/08–2019/07	25,439	—	—	—	8,395	8,395	6,919	1,730
A data centre at Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation of fire safety system	2016/10–2017/04	7,908	—	—	—	7,908	—	—	—
Public housing estates at Sheung Shui, the New Territories, Hong Kong <sup>(3)</sup>	Installation of fire safety system	2016/05–2018/10	56,000	—	—	—	1,312	26,688	28,000	—
A medical centre of excellence in the paediatrics speciality in Kai Tak, Kowloon, Hong Kong	Installation of fire safety system	2016/10–2017/08	18,850	—	—	—	12,064	6,786	—	—

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Particulars and location	Type and particulars of works	Estimated project period <sup>(1)</sup> (year/month)	Awarded contract sum <sup>(2)</sup> HK\$ '000	Total revenue recognised during the						
				Year ended 30 April 2015 HK\$ '000	30 September 2016 HK\$ '000	Track Record Period 2016 HK\$ '000	2017 HK\$ '000	2018 HK\$ '000	2019 HK\$ '000	2020 HK\$ '000
A railway station along the Express Rail Link <sup>(3)</sup>	Installation of fire safety system	2016/10–2018/04	30,242	—	—	—	7,258	22,984	—	—
A railway station along the Express Rail Link <sup>(3)</sup>	Installation of fire safety system	2016/10–2018/03	14,503	—	—	—	3,481	11,022	—	—
Premises of a utility supplier <sup>(3)</sup>	Maintenance of fire safety system	2016/11–2019/10	3,609	—	—	—	918	1,077	1,077	538

*Notes:*

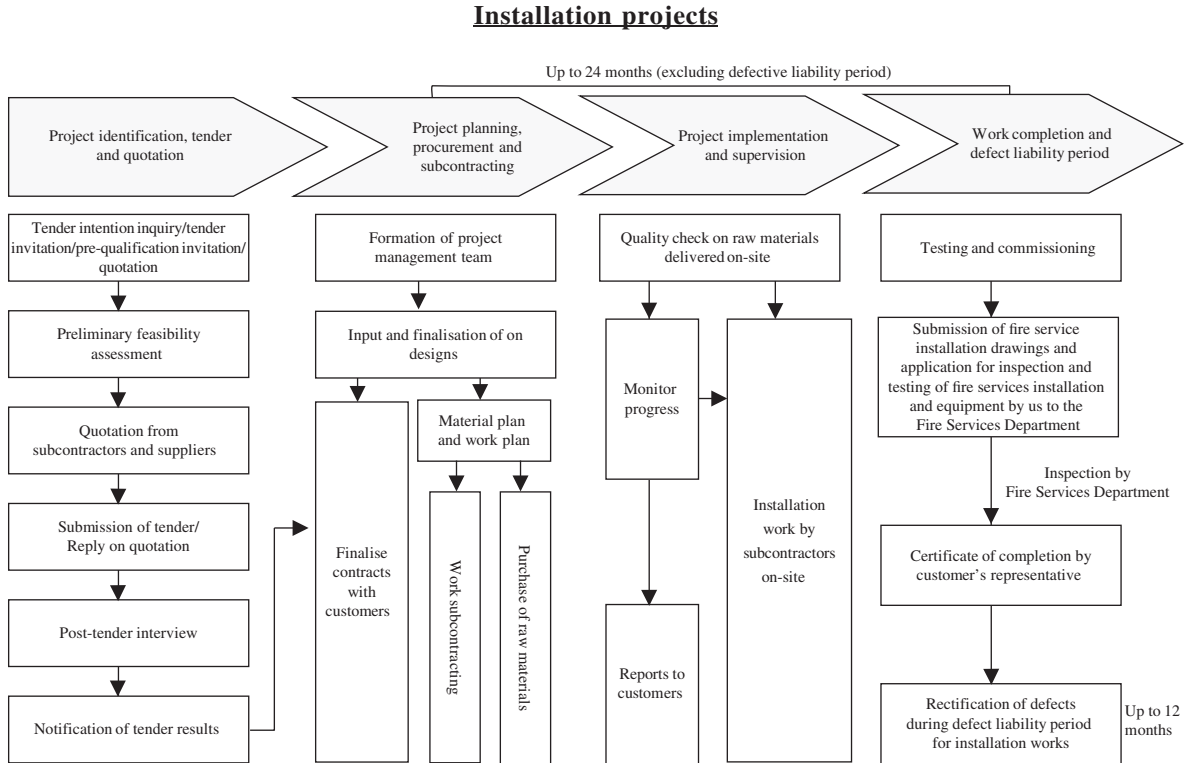
- (1) The estimated project period is the period stated in the relevant contract, which is subject to variation.
- (2) The awarded contract sum represents the contract sum stated in the original tender documents or contract and is subject to adjustments due to variation orders and prolongation of the project period.
- (3) Public work projects.



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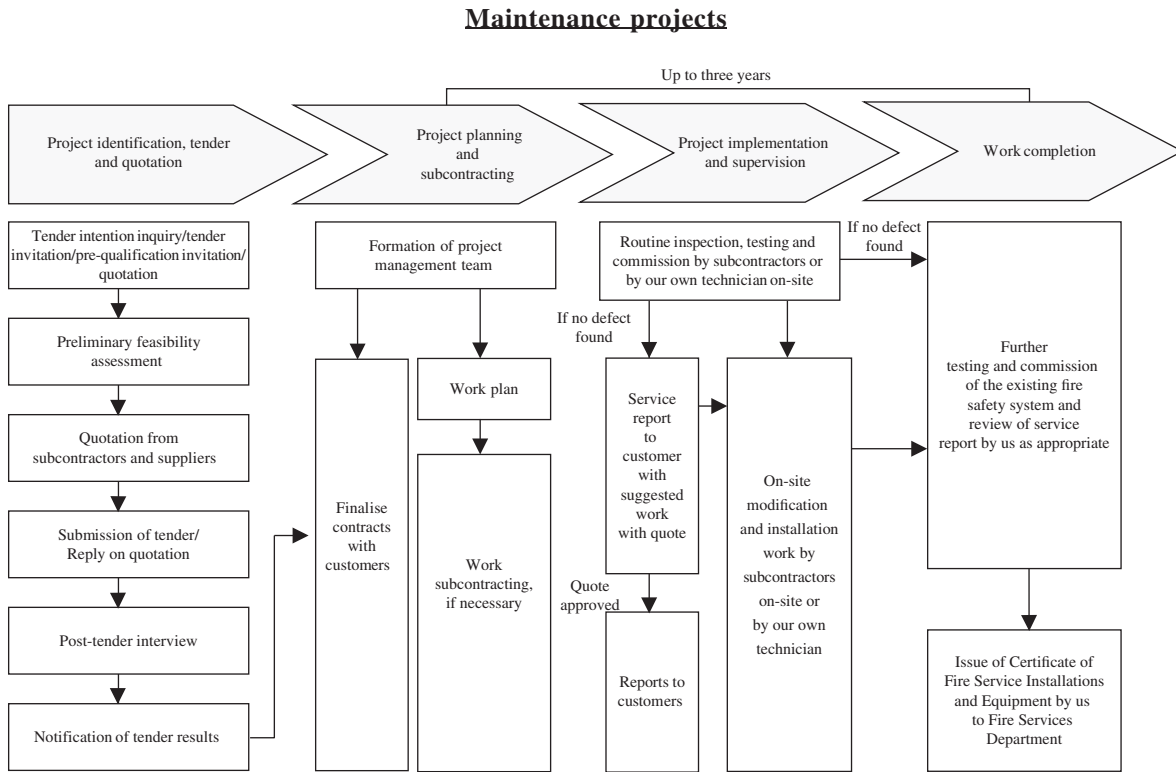
## OPERATION PROCEDURES

The typical contract period of our installation projects ranges from six months to two years, while the time required for the actual completion of the work varies significantly depending on various factors including the master construction progress of the relevant project. The following chart is a general overview of the major process of our operations for installation projects:



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The typical contract period of our maintenance projects ranges from one to three years. The following chart is a general overview of the major process of our operations for maintenance projects:



Unless otherwise stated, the following operation procedures apply to both installation and maintenance projects.

## **Identification of potential projects**

With the pre-requisite qualification, expertise and experience, Windmill Engineering (our principal subsidiary) has been working towards and successfully been included in the list of registered fire service installation contractor under the Fire Services Regulations, the List of Approved Suppliers of Materials and Specialist Contractors for Public Works by the Works Branch, Housing Authority's list of approved fire service and water pump contractor and lists of prequalified registered fire service installation contractors of certain main contractors. These avail ourselves to our potential customers in both private and public sectors.

Our projects are mainly obtained either by tender or quotation. A majority of our revenue recognised during the Track Record Period were attributable to contracts obtained through tender.

Other than the tender invitations sent to us, we also identify potential projects by keeping track of the published tender notices of our potential customers in the private sector and reviewing the websites of the Government on which tender invitations are published.

## **Sales and marketing**

Our Directors consider that our success in attaining engagements during the Track Record Period was attributable to our professional reputation, past project references, technical expertise and our good relationships with customers.

We maintain our relationships with our customers by ensuring the quality of our services, renewing our qualifications and licences required to carry out installation and maintenance services of fire safety systems, and maintaining our professional reputation in the industry. We actively establish rapport with potential customers from time to time, introducing our expertise and experience in the industry and showing our interest in being one of their approved sub-contractors. We also maintain and introduce our own company website to introduce our services.

As a result, we focus on maintaining the quality of our services, enriching our experience and expertise in the industry, upholding our professional reputation, and maintaining our relationships with customers instead of on advertising and promotion.

## **Tender Process**

Tender intention inquiry/tender pre-qualification/tender invitation: Invitations for tender from potential customers may come with or without a tender intention inquiry or tender pre-qualification first, which briefly sets out the subject matter and request us to reply if we are interested in participating in the tender with work reference, qualification, financial statements etc., demonstrating we have the requisite license(s) and qualifications.

If we confirm in the affirmative and our potential customer is satisfied with the information submitted by us, our potential customer would send us a tender invitation with form of tender setting out detailed works and services required, expected duration of project and completion time. We are required to submit a tender proposal within the time frame specified in the tender invitation which varies from time to time. We are generally required to submit a tender proposal with schedule of rates for each item of work or equipment required.

Preliminary feasibility assessment: Upon receipt of a tender invitation which comes with a form of tender setting out detailed works and services required, and if applicable, preliminary design drawings, expected duration of project and completion time, our two executive Directors, Mr. Li and Mr. Poon would conduct a preliminary feasibility assessment on the potential project to decide whether to proceed with preparation for the tender. These mainly include (i) scale of the project in terms of contract value; (ii) studying and understanding the scope of work required in the project; (iii) reviewing drawings and specifications to estimate the feasibility of undertaking such project based on the technical requirements and expected completion time; (iv) clarifying any ambiguities and inconsistencies in the relevant documents such as drawings and specifications with the potential customers; and (v) capital needed and the contribution to our work portfolio etc.

Obtaining quotes from subcontractors and suppliers: If we consider the potential project to be beneficial to our Group as a whole, our tender department would obtain quotes from, if available, at least three subcontractors and/or three suppliers of equipment as appropriate. We compare and select

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subcontractors based on the quotations they provide, availability of manpower, historical work performance in terms of quality and efficiency. We compare and select suppliers based on the price and quality of raw materials needed.

Pricing strategies and price determination: We then prepare the tender documents to set out the schedule of rates for the items required with expected profit margin. These may include rates on the works and equipment, third party insurance, project management, subcontract management etc. The gross profit margin depends on various factors, including but not limited to the scale, complexity and specifications of the projects, our capacity, the estimated project costs which mainly include the subcontracting costs and raw material costs based on the preliminary quotations from our subcontractors and suppliers, historical fees we received for similar projects, the current fee level in the market and competitive conditions at the contract negotiation stage.

During the Track Record Period, the gross profit margin for our installation services were 14.2%, 16.2% and 18.5%, whereas the gross profit margin for our maintenance services were 13.4%, 14.7% and 12.2%, respectively. We have not encountered any cost overrun during the Track Record Period and up to the Latest Practicable Date.

Tender submission and post-tender interview: Tender documents prepared shall be reviewed and approved by Mr. Li. After receiving tender proposals from candidates, the potential customer may conduct interviews with those short-listed candidates, at which the potential customer will have an in depth study on the tender, technicality and financial aspects of the candidates.

Notification of tender results: The award comes in the form of a letter of award or letter of intent which requires countersigning by our Group.

During the Track Record Period, most of our revenue was attributable to projects secured through tender process. The following table sets forth our overall tender success rate for the projects (inclusive of both installation projects and maintenance projects) for the periods indicated:

	<b>Year ended 30 April 2015</b>	<b>Year ended 30 April 2016</b>	<b>Five months ended 30 September 2016</b>	<b>From 1 October 2016 to the Latest Practicable Date<sup>(2)</sup></b>
Number of tenders submitted	387	422	189	205
Number of contracts awarded	104	110	50	50
Tender success rate <sup>(1)</sup>	26.9%	26.1%	26.5%	24.4%

*Notes:*

- (1) Tender success rate is calculated as the number of contracts awarded in respect of the tenders submitted during a financial year/period, divided by the number of tenders submitted during the respective financial year/period.
- (2) Figures for the period from 1 October 2016 to the Latest Practicable Date are subject to change as we have not received the notice of award or rejection of our tender for 155 projects, up to the Latest Practicable Date.

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### **Formation of formal contracts**

Upon successful tender and counter-signing on the letter of award or letter of intent, the award then becomes legally binding on the parties but parties would proceed with negotiation of more detailed terms in a formal contract. Unless and until a formal agreement is signed, parties shall treat the terms in the award (including the obligation to undertake the relevant work at the rate schedule submitted) as legally binding. Parties proceed with negotiation of detailed terms (including for example, finalisation of designs and graphs, adjustment on delivery date etc.) which will be stated on the formal agreements to be entered into by the parties.

The terms and conditions of the contracts with our customers vary from customer to customer and were generally in line with the market practice. The following are the key common terms of the installation contracts and maintenance contracts of fire safety systems with our major customers during the Track Record Period:

<b>Contract terms</b>	<b>Installation services</b>	<b>Maintenance services</b>
<b>Location</b>	The location(s) of the project site(s) at which we should carry out the installation works.	The location(s) at which we should carry out the maintenance works.
<b>Duration of contracts</b>	<p>The period during which we shall carry out the installation works for the fire safety systems, which may be extended from time to time pursuant to the terms of the contracts. The duration of works depends on the scale and complexity of a specific contract.</p> <p>During the Track Record Period, the duration of installation projects generally ranged from six months to two years.</p>	<p>The period during which we shall carry out the maintenance works for the existing fire safety systems, which may be extended from time to time pursuant to the terms of the contracts.</p> <p>During the Track Record Period, the duration of maintenance projects generally ranged from one to three years.</p>
<b>Nature and scope of contracted works</b>	Specification of the fire safety systems covered, the types of installation works to be carried out and the areas/facilities that require such works, in compliance with the specifications as set out in our installation contracts with our customers.	Specification of the fire safety systems covered by such services, and the areas/facilities that require such maintenance works.

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<b>Contract terms</b>	<b>Installation services</b>	<b>Maintenance services</b>
<b>Total contract sum</b>	The total contract sum (which is usually a fixed amount) of a project, subject to any variation orders requested by our customers from time to time.	The total value of all maintenance works conducted by us, which will be valued in accordance with the schedule of rates set out in the maintenance contracts during the progress of or as soon as possible after the completion of each work order.
<b>Payment</b>	We generally receive regular interim payments based on the amount of works completed from our customers. We normally provide our customers with a written invoice specifying the amount of works completed and the corresponding values of the completed works. Our customers will then assess and verify the amount of completed works, and will issue a certificate approving the amount of works eligible for payments.	
<b>Schedule of rates</b>	Specifications of the contracted works together with the quantity, the unit price and the total price of each item of the contracted works.	Specification of the maintenance works together with the unit rate for labour, quantity and materials required.
<b>Retention monies</b>	<p>A portion of progress payment is withheld by our customers for securing our due performance of the contracts. The retention money for each project normally ranges from 5% to 10% of the value of works conducted by us, subject to a maximum retention of 5% of the total contract sum.</p> <p>Generally, half of the retention money will be released upon the issuance of a certificate of practical completion of the contracted works by customers. The remaining portion of the retention money will be released upon the expiry of the defect liability period as specified in a contract, or upon the rectification of defects or imperfections discovered in relation to our works, whichever is later.</p>	Generally, no retention money is required for maintenance projects.

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<b>Contract terms</b>	<b>Installation services</b>	<b>Maintenance services</b>
<b>Variation orders/ contingencies</b>	We shall provide contracted works varied in the form, character, quality or quantity as may be ordered by customers in writing, and be valued at the same unit rate of similar work set out in the original contract.	
<b>Performance bonds</b>	Subject to negotiation, we may or may not need to take out a performance bond issued by a bank of 10% of the contract sum taken out by us for securing our Group's due performance of the contract.	We are generally not required to provide performance bonds for maintenance services.
<b>Liquidated damages</b>	If completion of a project is delayed due to our fault, we may, subject to the rights for time extension, be required to pay liquidated damages, typically calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete subject to a maximum of up to 10% of the contract sum.	
<b>Defect liability period</b>	A period during which we remain responsible for, at our own expense, rectifying any defects or imperfections discovered in relation to our installation works done. A defect liability period is generally 12 months from the date of completion of our projects.	Generally there is no defect liability period, except that six to 12 months defective liability will be provided for new equipment replaced or installed during the maintenance service.

### **Project planning, procurement and subcontracting**

#### ***Project planning***

Once a contract has been awarded to us, a project management team will be formed.

For installation projects, our project management team usually comprises one project manager and one or more project engineers depending on the scale of the projects. The general responsibilities of our project management team mainly include reviewing and fine tuning fire safety system design and project specifications received from our customers, formulating detailed fire system installation design and work programs, procurement of raw materials, engaging and delegation of works to subcontractors, coordinating with our customers, subcontractors and suppliers to complete the projects according to the work schedules, continuing the monitoring of the status of the work to ensure the project can be completed on time, carrying out various checking to ensure the requirements of completed work complies with the relevant requirements of the Fire Services Department and our customers.

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For maintenance projects, our project management team usually comprises one project manager and one project engineer. The general responsibilities of our project management team mainly include formulating the work plan to ensure the regular inspection, testing and commissioning on all premises covered in the contract can be completed during the contract period.

### *Procurement of raw materials*

For installation projects, we are responsible for completing material planning at the commencement of a project to ensure the materials are delivered ahead of time and material expenditure and wastage are under control. Our material plan generally includes details of the material suppliers and total quantities required.

The major raw materials are fire service equipment such as fire control panels, pump panels, sprinklers, heat/thermal/gas detectors, pumps, fire hydrants, hose reels, alarm bells and alarm call points and water piping. To ensure consistency in the quality of materials and equipment supplied, during the Track Record Period, we have mainly placed purchase orders with suppliers on our list of approved suppliers unless our customers nominated specific suppliers to us. In selecting a supplier for a specific project, we take into account a number of factors, including (i) its track record; (ii) quality of materials; and (iii) the competitiveness of its pricing.

All of our raw materials are sourced from our suppliers in Hong Kong.

In general, we order materials and equipment from our suppliers in advance based on each project's schedule and confirm the order seven days prior to delivery. Our project management team would coordinate with our suppliers to deliver the raw materials purchased to the worksite directly. Our project engineer would inspect the raw materials delivered onsite.

For maintenance projects, if we identify any defects in the fire safety system during our routine inspection, testing or commissioning, we would report to our customer on the defects with suggested work to be done, together with quotes we obtained beforehand. We would only need to purchase raw materials after our customer approves the work scope and quote.

### *Principal terms of contracts with our suppliers*

We do not enter into long term agreements with our suppliers and will only make purchase orders on a project basis. The purchase orders generally contain a schedule specifying (i) the purchased items; (ii) the quantity purchased; (iii) the unit rates for each of the purchased items; and (iv) the total costs for the purchased items.

The purchase orders normally provide either for (i) instalment payments based on the amount of purchased items delivered, or (ii) deposits based on a certain percentage of the total costs for the purchased items with the remaining balance payable upon delivery of all the items purchased.

We are generally offered 12 months warranty period for the fire equipment ordered.



## BUSINESS

### Subcontracting

For flexible manpower management and minimising the fixed costs for employing large teams of technicians, we may delegate part of the labour intensive installation work to selected subcontractors depending on the scale, availability of resources, labour-intensiveness of the work involved and cost effectiveness.

The subcontracts for the installation and maintenance of fire safety systems typically contain the following principal terms:

<b>Contract terms</b>	<b>Installation projects</b>	<b>Maintenance projects</b>
<b>Duration of contracts</b>	The duration of installation projects normally vary depending on the scale and scope of our projects with our customers.	The duration of maintenance projects ranges from one to three years.
<b>Nature and scope of subcontracted works</b>	Specification of the fire safety systems covered and the types of installation works to be carried out in compliance with the specifications as set out in our installation contracts with our customers.	Maintenance works in compliance with the specifications as set out in our maintenance contracts with our customers.
<b>Materials</b>	We may require our subcontractors to source and supply for materials as part of their subcontracted services. We generally provide specifications for these materials.  Should the subcontractors request us to procure these materials on their behalf, we will require our subcontractors to reimburse us for the costs of materials by deducting such costs of materials from the subcontracting fees.	
<b>Completion date</b>	The completion dates in the subcontracts are generally determined in accordance with the project schedules set by our customers.	
<b>Subcontracting fees</b>	Each subcontract provides for a lump sum subcontracting fee for the subcontracted installation works.  The unit rates and prices shown in the unit price list attached to the subcontracts are only for the purpose of valuation assessment if there is any variation in the scope of works due to a variation in our contracts with our customers.	The subcontracting fees depends on the amount of maintenance works to be carried out by our subcontractors, which are calculated in accordance to the unit rates and prices shown in the unit price list attached to the subcontracts.  The unit price list is also for the purpose of valuation assessment if there is any variation in the scope of works due to a variation in our contracts with our customers.

## BUSINESS

### **Contract terms**

### **Installation projects**

### **Maintenance projects**

#### **Payment**

Subcontractors are to submit payment applications, usually on a monthly basis, with reference to the works done. Once we have verified the subcontractors' applications against the actual works done as certified by our customers, we will release the relevant proportion of the subcontracting amounts after holding up retention money.

#### **Retention money**

The amount of retention monies we withhold from our subcontractors is generally 10%.

Generally, no retention money is required for maintenance projects.

We shall release 50% of the retention monies upon the issuance of the satisfactory certificate by the Fire Services Department, and the remaining 50% upon the receipt of the certificate of making good defects.

#### **Responsibilities of subcontractors**

- Subcontractors shall comply with the general specifications and design drawings of our installation projects with our customers, our Occupational Health, Safety and Environment Policy and General Safety Rules for Construction Site, as well as all relevant laws and regulations in Hong Kong.
- Subcontractors shall provide sufficient manpower for the subcontracted works.
- Subcontractors shall not hire self-employed persons.
- Subcontractors shall provide appropriate trainings to its labour to enable them to carry out the subcontracted works.

#### **Claims and termination**

We may terminate the subcontracts by 30 days written notice and commence claims for any loss or damage arising from (i) any delay in the subcontracted works caused by default of the subcontractors; and (ii) defective or substandard subcontracted works.

We determine the subcontracting fees by comparing the fees obtained from various subcontractors through competitive tendering, with reference to estimate of market rate for comparable projects in terms of their scope, size, complexity and contract value. If our customers defaults in making payments, we remain liable to settle the subcontracting fees if the subcontracting works have already been performed.

## BUSINESS

During the Track Record Period, there has neither been any default in making payments by our customers to us in relation to our subcontractors' works, nor breach by either our Group or our subcontractors of any of the subcontracts which our Group has entered into.

Our subcontractors are neither our employees nor agents and we are not a party to the employment arrangement between our subcontractors and their employees. As our subcontractors are responsible for providing the necessary manpower for the subcontracted works, they are to bear the relevant labour costs.

### *Contractual liability of our Group for the performance of our subcontractors*

We are generally liable to our customers for the performance of our subcontractors under the main contracts entered into between us and our customers, which includes acts, defaults or neglects of our subcontractors.

If the defects are caused by our Group, we will be responsible for rectifying the defects pursuant to the contracts with our customers. If such defects are caused by our subcontractors, we will require them to make rectifications and compensate our Group for any liability and bear the costs and expenses incurred based on the corresponding provisions in the subcontracts.

### *Monitoring the works of subcontractors*

Apart from being liable to our customers for the performance of our subcontractors, we may also be liable to any potential employee compensation claims and personal injuries claims commenced by the employees of our subcontractors from work injuries. Therefore, we monitor the performance of our subcontractors by:

- conducting regular assessment of our subcontractors during the course of a project to ensure quality and safety of our subcontractors' works;
- making regular site visits to ensure general compliance of our subcontractors in all respects, and in particular, with the applicable laws and regulations and safety requirements imposed by the relevant Government authorities;
- requesting our subcontractors to ensure that their labour follow our customers' workplace safety enforcement on site strictly, and to use labour possessing relevant licences;
- requiring our subcontractors to provide safety equipment such as helmets, safety boots and safety belts, and to ensure the proper usage of such safety equipment by their labour;
- holding regular safety meetings or communicating from time to time with the subcontractors to ensure that they understand our requirements and concerns; and
- inspecting and testing the subcontractors' works from time to time.

### **Project implementation and supervision**

For installation projects, we subcontract the on-site installation works to our subcontractors. For maintenance projects, depending on the scale of the work, we may assign our own technician team to undertake the work or outsource it to subcontractors. During the execution process, our project management team would carry out site inspection and review reports and checklists completed by technicians to monitor the work progress and review the quality of work done by subcontractors from time to time. Our project management team would report the status to our customers from time to time.

We are responsible to ensure the works are carried out in compliance with the requirements of our customers and the Fire Services Department. For further details, please refer to the subsection headed “Business — Quality Control” for details.

### **Testing and commissioning**

Before completion of a project, our project manager will ensure that all specified inspections, testing and commissioning have been carried out and that the relevant data meets the specified requirements under the contract. We will also conduct relevant quality and safety tests during the testing and commissioning stage in accordance with our ISO 9001 manual before completion and handover to our customers. In the event that the test results do not meet the requirements specified in the contract or regulatory standards, rectification works and/or re-commissioning works will be carried out in order that the requirements are met.

### **Variation orders**

Our customers may, in the course of project execution, place orders concerning variation to part of our works that is necessary for the completion of the project. Such orders are commonly referred to as variation orders. Variation orders may include: (i) additions, omissions, substitutions, alterations, cancellation, changes in quality, form, character, kind, position or dimension; and (ii) changes to any sequence, method or timing of our works. We will discuss with our customer to mutually agree on the sum of variation orders which shall be added to or deducted from the contract sum mainly with respect to rate of works of the same or similar character as in the main contract. A variation order will usually be notified to us by way of a letter from our customer describing the detailed works to be carried out as a result of such variation order. In general, we will then obtain fee estimates internally or quotation from our subcontractors and prepare and submit the rate for such variation order to our customers for approval. The principal contract terms and settlement of variation orders are generally in line with the terms of the main contract.

Our Directors confirm that we did not have any material cancellation orders, variation orders, loss making contracts and cost overrun during the Track Record Period.

### **Work completion and defect liability period**

*Work completion:* For installation projects, we would submit fire service installation drawings and application for inspection and testing of fire services installation and equipment to the Fire Services Department, who would then attend the site for inspection. Handover of the work will be arranged with our customer’s representatives and the practical completion certificate of the project will be issued by authorised person of the project. For maintenance work, we would issue the relevant certificate to the Fire Services Department upon annual inspection on the premises during the contract period.

## BUSINESS

*Defects liability period:* Subject to negotiation with our customers, we generally offer up to 12 months defect liability period from the date of the practical completion certificate issued by the authorised person of our customers. During the defect liability period, we are responsible for rectifying the defects for the fire services systems at our own expense. We normally require our subcontractors to provide back to back defect liability period. At the end of the defect liability period, the retention monies will be returned to us. If necessary, additional costs for repairs and maintenance are provided for in the financial statements. During the Track Record Period, we have not experienced any material claim by our customers in respect of our works or any request by our customers for rectifying material defects of our works. For maintenance service, we generally do not offer defects liability period except for those installation work carried out during the maintenance contract period.

### **Progress payments**

We normally receive progress payment from customers by stages with reference to the value of works done. Generally, we submit an interim payment application on a regular basis to our customers with reference to the works done, which will subsequently certified by the authorised persons, such as the architects or consulting quantity surveyors employed by the customers.

Upon receiving our interim payment application, the authorised person of the project will examine the portion of work completed and issue a payment certificate after the examination, which normally takes about four to six weeks from the date of interim payment application. We will then proceed with billing the customer with the payment certificate received. We generally receive payments from our customers in 30 days upon the issue of invoices to our customers.

### **Retention monies**

Our customers generally retain a certain percentage of each payment made to us as retention monies. The amount of retention monies usually represents 5% to 10% of the value of works certified in each payment, subject to a maximum retention of up to 5% of the total original contract value. Generally, the first half of the retention money is released upon the issue of certificate of practical completion of the project and the second half of the retention money is released to us upon the issue of certificate of completion of making good defects after the expiry of the defect liability period.

### **Performance bonds / Liquidated damages**

In order to secure our due and timely performance, we may be requested to take out performance bonds issued by a bank in favour of the customers and/or to include a liquidated damages clause in relation to our late completion of works. The liquidated damages are calculated at an agreed rate per day multiplied by the number of days from the prescribed or extended date of completion to the certified date of completion of the works, but subject to a maximum of up to 10% of the contract sum.

As at each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our Group has taken out performance bonds issued by financial institutions in the aggregate amount of HK\$1.0 million, HK\$0.9 million and HK\$1.7 million, respectively. We believe that we have a reputation for completing projects on schedule, and during the Track Record Period, no performance bond had been called by our customers by reason of any delay in completion of our projects.

## BUSINESS

The Directors confirmed that there was no material liquidated damages claimed or paid by our Group due to our delay in completing the projects during the Track Record Period.

### **OUR CUSTOMERS**

For installation projects, our customers mainly include well-established main contractors, who are engaged by property developers/site owners, Government departments or Government-related organisations for construction or renovation projects in Hong Kong. Sometimes, Government departments and Government-related organisations may engage us directly for the installation of fire safety system. During the Track Record Period, the projects we participated with our customers mainly include construction of infrastructure facilities and commercial/composite buildings.

For maintenance projects, our customers mainly include Government departments, Government-related organisations and property management companies. During the Track Record Period, we mainly provided repair and maintenance services of fire safety system for certain premises in the airport, educational organisations and utility companies in Hong Kong.

### **Major customers of our Group**

Our aggregate sales to our five largest customers amounted to HK\$54.3 million, HK\$90.4 million and HK\$26.5 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 68.0%, 72.9% and 72.1% of our Group's total revenue during the corresponding periods respectively. Sales to our largest customer amounted to HK\$13.0 million, HK\$34.9 million and HK\$11.2 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 16.3%, 28.1% and 30.5% of our Group's total revenue for the corresponding periods respectively.

## BUSINESS

The following sets out the information of our five largest customers during the Track Record Period:

Customers	Principal business of the customers	Our services provided to customers	Revenue contribution to our Group <i>HK\$'000</i>	Percentage to the total revenue of our Group <i>(%)</i>	Commencement year of business relationship
<b>Year ended 30 April 2015</b>					
Customer A	A Hong Kong incorporated company specialising in civil construction and building refurbishment, as well as maintenance, addition and alteration works	Installation of fire safety systems for railway stations	13,014	16.3	2013
Customer B <i>(Note)</i>	A Hong Kong incorporated company specialising in project management, design, supply, installation, testing and commissioning, and facilities management for electrical and mechanical infrastructures, data centres and telecommunication utilities	Installation of fire safety systems of data centres	12,824	16.1	2014
Customer C	A Government-related organisation providing vocational and professional education and training	Repair and maintenance of fire safety systems and water pump systems of the premises of the Government-related organisation	11,662	14.6	2011
Customer D	A Hong Kong incorporated company providing building services and other professional services in design, equipment sourcing, installation, testing and commissioning, and maintenance	Installation of fire safety systems for data centre	8,426	10.5	2004
Customer E	A Government department providing electrical and mechanical engineering services	Maintenance of fire safety systems for airport premises, hospitals, Transport Department and Highway Department	8,382	10.5	2014

## BUSINESS

Customers	Principal business of the customers	Our services provided to customers	Revenue contribution to our Group <i>HK\$'000</i>	Percentage to the total revenue of our Group <i>(%)</i>	Commencement year of business relationship
<b>Year ended 30 April 2016</b>					
Customer B <i>(Note)</i>	A Hong Kong incorporated company specialising in project management, design, supply, installation, testing and commissioning, and facilities management for electrical and mechanical infrastructures, data centres and telecommunication utilities	Installation of fire safety systems of data centres	34,872	28.1	2014
Customer F	A Hong Kong incorporated company providing engineering and construction services	Installation of fire safety systems of railway stations	16,781	13.5	2014
Customer C	A Government-related organisation providing vocational and professional education and training	Repair and maintenance of fire safety systems of the premises of the Government-related organisation	15,046	12.1	2011
Customer G	A subsidiary of a Hong Kong listed company specialising in design and construction of buildings and civil engineering works	Installation of fire safety systems of electricity power stations, redeveloped residential building and industrial buildings	12,678	10.2	2014
Customer E	A Government department providing electrical and mechanical engineering services	Maintenance of fire safety systems for airport premises, hospitals, Transport Department and Highway Department	11,001	8.9	2014



## BUSINESS

Customers	Principal business of the customers	Our services provided to customers	Revenue contribution to our Group <i>HK\$'000</i>	Percentage to the total revenue of our Group <i>(%)</i>	Commencement year of business relationship
<b>Five months ended 30 September 2016</b>					
Customer B <i>(Note)</i>	A Hong Kong incorporated company specialising in project management, design, supply, installation, testing and commissioning, and facilities management for electrical and mechanical infrastructures, data centres and telecommunication utilities	Installation of fire safety systems of data centres, tunnel ventilation buildings and emergency rescue siding of railway station	11,209	30.5	2014
Customer F	A Hong Kong incorporated company providing engineering and construction services	Installation of fire safety systems of railway stations	6,303	17.2	2014
Customer E	A Government department providing electrical and mechanical engineering services	Maintenance of fire safety systems for airport premises, hospitals, Transport Department and Highway Department	4,330	11.8	2014
Customer G	A subsidiary of a Hong Kong listed company specialising in design and construction of buildings and civil engineering works	Installation of fire safety systems of electricity power stations, redeveloped residential building and industrial buildings	2,545	6.9	2014
Customer H	A Hong Kong incorporated company specialising in design, construction and maintenance of data centres	Installation of fire safety systems of a data centre	2,083	5.7	2014

*Note:* Customer B represents two entities which were ultimately controlled by the same shareholder.

To the best of the knowledge of the Directors, none of the Directors, their associates or any Shareholder who owns more than 5% of the issued share capital of our Company has any interest in any of our five largest customers during the Track Record Period. All these five largest customers are Independent Third Parties.

### *Distributor agreement for sale of fire service equipment*

To create an advantageous position for the supply of fire service equipment, we entered into a non-exclusive distributorship agreement with a German multinational engineering and electronics company (the “**Owner**”) who is an Independent Third Party, for the sale and distribution of its branded fire service equipment in Hong Kong with a term of one year for consecutive three years from 2014 to 2016,

## BUSINESS

(“**Distributorship Agreement**”). These fire services equipment include for example, smoke detector, heat detector, fire alarm bell, sounder, fire alarm panel etc. Below is a summary of the terms of the Distributorship Agreement.

- Duration of contracts** : The period during which we are entitled to distribute the fire service equipment, which is normally 1 year. The latest Distributorship Agreement is effective from 1 January 2016 to 31 December 2016.
- Our right** : A non-exclusive right to purchase fire service equipment from the Owner for resale in the authorised territories.
- Authorised territories** : Hong Kong
- Minimum purchase requirement** : The minimum value of fire service equipment that we shall purchase from the Owner for resale per year ranges from HK\$0.96 million to HK\$1.5 million during the Track Record Period. A minimum of 35% of the minimum purchase requirement have to be satisfied during the first six months of the contract term. If we fail to meet the relevant minimum purchase amounts, the Owner is entitled to terminate the Distributorship Agreement but no penalty or compensation will be imposed.
- Payment and delivery** : The fire service equipment will be delivered in Hong Kong within three months after our full payment for the equipment. The Owner is responsible for the delivery costs.
- Warranty period** : The fire service equipment is subject to a warranty period up to three years, which shall start from the date of delivery. If any of the fire service equipment is defective during the warranty period, it will be repaired by the Owner at the Owner’s own costs subject to the specific conditions as set out in the Distributorship Agreement. Defects arising from factors unrelating to product quality will not be covered by the warranty.
- Return and exchange of fire service equipment** : Defective fire service equipment can be returned to the Owner within 30 days of receipt of the equipment, subject to certain conditions as specified in the Distributorship Agreement.
- Use of brand name** : We are authorised to use the Owner’s brand name in relation to distribution of the fire service equipment in the authorised territories.
- Our relationship with the Owner** : We are neither employees nor agents of the Owner.

**Variation and termination**

: The Owner may at any time vary or terminate the Distributorship Agreement by one-month written notice to us. The Owner reserves the right to terminate the Distributorship Agreement if we (i) fail to meet the minimum purchase requirements; (ii) sell the fire service equipment outside of the authorised territories; or (iii) commit serious breaches of the Distributorship Agreement, such as fabricating or varying the technical descriptions of the fire service equipment.

During the Track Record Period, our sales of fire services equipment under the Distributorship amounted to HK\$1.2 million, HK\$1.0 million and HK\$0.1 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016, respectively, representing 1.5%, 0.8% and 0.3% of our total revenue for the corresponding periods respectively. We have not been able to meet the relevant minimum purchase amount during the Track Record Period as required under the Distributorship Agreement. However, the Owner has not elected to terminate the agreement. We will liaise with the Owner for the renewal of the Distributorship Agreement, and such Distributorship Agreement may or may not be renewed.

**Credit policy**

We normally receive progress payment from customers by stages with reference to the value of works done. Generally, we submit an interim payment application on a regular basis to our customer with reference to the works done, which will subsequently certified by the authorised persons, such as the architects or consulting quantity surveyors employed by the customers. Upon receiving our interim payment application, the authorised person of the project will examine the portion of work completed and issue a payment certificate after the examination, which normally takes about four to six weeks from the date of interim payment application. We will then proceed with billing the customer with the payment certificate received.

We generally provide a credit period of 30 days for both installation projects and maintenance projects. We continuously monitor and evaluate overdue payments on a case-by-case basis with respect to the appropriate follow-up actions to be taken. We take into consideration the customer's normal payment practice and payment history, our relationship with the customer and the general economic environment. During the Track Record Period, follow-up actions by our Group for recovering overdue payments included issue of repetitive payment reminders and active communications with the customers.

As at 30 April 2015 and 2016 and 30 September 2016, trade and retention receivable of our Group were HK\$7.9 million, HK\$18.2 million and HK\$12.6 million, respectively.

We generally provide a credit period of 30 days to our customers purchasing fire service equipment.

During the Track Record Period, our customers usually settle the payments, by way of cheques or bank transfers. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, the average trade receivable turnover days were 16.8 days, 24.5 days and 35.7 days respectively.

## BUSINESS

During the Track Record Period, our Directors confirm that our Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We are not aware of any of our major customers having experienced material financial difficulties that may materially affect our Group's business. During the Track Record Period and up to the Latest Practicable Date, our Directors further confirm that we did not have any material dispute with our customers.

### Seasonality

Our Directors believe that there is no prominent seasonal pattern for the demand of fire safety system services.

### SUBCONTRACTORS

Our total subcontracting fees attributable to our five largest subcontractors amounted to HK\$28.7 million, HK\$47.0 million and HK\$18.9 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 74.2%, 72.2% and 69.3% of our Group's total subcontracting fees during the corresponding periods respectively. Subcontracting fees attributable to our largest subcontractor amounted to HK\$13.0 million, HK\$19.5 million and HK\$10.4 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 33.6%, 29.9% and 38.1% of our Group's total subcontracting fees for the corresponding periods respectively. During the Track Record Period, our subcontractors generally allowed a credit period of 30 days for us to settle our payments and we usually settled our payments to our subcontractors by way of cheques.

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

Subcontractors	Principal business of subcontractors	Services provided to our Group	Subcontracting charges <i>HK\$'000</i>	% of total subcontracting fees	Commencement year of business relationship
<b>Year ended 30 April 2015</b>					
Subcontractor A	A company formed in Hong Kong providing construction and engineering works, and specialising in design, supply and installation of commercial kitchens and laundry equipment	Installation of fire safety systems	13,000	33.6	2013
Subcontractor B	A Hong Kong incorporated company specialising in conducting electrical works	Maintenance of fire safety systems	5,167	13.4	2008
Subcontractor C	A Hong Kong incorporated company specialising in engineering and maintenance of fire service systems, electrical and electronic system; and plumbing and drainage system.	Maintenance of fire safety systems	5,104	13.2	2014
Subcontractor D	A Hong Kong incorporated company providing electronic parts and equipment.	Installation of fire safety systems	3,248	8.4	2014

## BUSINESS

Subcontractors	Principal business of subcontractors	Services provided to our Group	Subcontracting charges <i>HKS'000</i>	% of total subcontracting fees	Commencement year of business relationship
Subcontractor E	A Hong Kong incorporated company providing engineering and construction services.	Installation of fire safety systems	2,186	5.6	2014
<b>Year ended 30 April 2016</b>					
Subcontractor C	A Hong Kong incorporated company specialising in engineering and maintenance of fire services systems, electrical and electronic system; and plumbing and drainage system	Maintenance of fire safety systems	19,516	29.9	2014
Subcontractor A	A company formed in Hong Kong providing construction and engineering works, and specialising in design, supply and installation of commercial kitchens and laundry equipment	Installation of fire safety systems	14,176	21.7	2013
Subcontractor E	A Hong Kong incorporated company providing engineering and construction services	Installation of fire safety systems	6,345	9.7	2014
Subcontractor D	A Hong Kong incorporated company providing electronic parts and equipment	Installation of fire safety systems	3,599	5.5	2014
Subcontractor F	A company formed in Hong Kong providing engineering and construction services	Installation of fire safety systems	3,410	5.2	2016
<b>Five months ended 30 September 2016</b>					
Subcontractor C	A Hong Kong incorporated company specialising in engineering and maintenance of fire services systems, electrical and electronic system; and plumbing and drainage system	Maintenance of fire safety systems	10,374	38.1	2014
Subcontractor F	A company formed in Hong Kong providing engineering and construction services	Installation of fire safety systems	3,627	13.3	2016
Subcontractor G	A company formed in Hong Kong specialising in installation and maintenance of fire safety systems	Installation of fire safety systems	1,660	6.1	2015
Subcontractor H	A Hong Kong incorporated company providing construction services	Installation of fire safety systems	1,614	5.9	2016
Subcontractor I	A Hong Kong incorporated company specialising in installation and maintenance of fire safety systems	Installation of fire safety systems	1,608	5.9	2014

## BUSINESS

To the best of the knowledge of our Directors, none of our Directors, their associates or any Shareholder who owns more than 5% of the issued share capital of our Company has any interest in any of our five largest subcontractors during the Track Record Period. All these five largest subcontractors are Independent Third Parties.

### SUPPLIERS

Our major raw materials are fire service equipment such as fire control panels, pump panels, sprinklers, heat/thermal/gas detectors, pumps, fire hydrants, hose reels, alarm bells and alarm call points and water piping etc. We purchase raw materials from suppliers in Hong Kong.

#### Major suppliers of our Group

Our aggregate purchases from our five largest suppliers amounted to HK\$7.6 million, HK\$12.5 million and HK\$2.9 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 51.4%, 52.8% and 43.7% of our Group's total purchases during the corresponding periods respectively. Purchases from our largest supplier amounted to HK\$2.3 million, HK\$5.6 million and HK\$0.7 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 respectively, which accounted for 15.9%, 23.7% and 10.8% of our Group's total purchases for the corresponding periods respectively. During the Track Record Period, our suppliers generally allowed a credit period of 30 days for us to settle our payments and we usually settled our payments to our suppliers by way of cheques.

The following tables set out the information of our five largest suppliers during the Track Record Period:

Suppliers	Principal business	Products purchased by our Group	Material costs <i>HK\$'000</i>	% of total purchases	Commencement year of business relationship
<b>Year ended 30 April 2015</b>					
Supplier A	A Hong Kong incorporated company providing fire detection and fire extinguishing systems and devices for the same	Devices for fire detection and fire alarm, and firefighting equipment	2,348	15.9	2009
Supplier B	A Hong Kong incorporated company providing materials for pipe fittings and water fittings	Materials for pipe fittings and water fittings	1,749	11.8	2009
Supplier C	A company formed in Hong Kong engaging in the retail of fire and lighting equipment	Devices for fire alarms systems	1,410	9.5	2009
Supplier D	A Hong Kong incorporated company supplying fire-resistant devices, including fire-resistant doors	Fire-resistant doors and other fire-resistant devices	1,093	7.4	2013
Supplier E	A Hong Kong incorporated company supplying devices for fire alarm, fire extinguishing, smoke detection and heat detection systems	Devices for gas extinguishing systems	992	6.7	2013
Total purchases			7,592		

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Suppliers	Principal business	Products purchased by our Group	Material costs <i>HKS'000</i>	% of total purchases	Commencement year of business relationship
<b>Year ended 30 April 2016</b>					
Supplier F	A Hong Kong incorporated company supplying devices for fire services protection systems and technical support	Devices for gas extinguishing systems	5,630	23.7	2014
Supplier G	A Hong Kong incorporated company distributing pipes and fittings systems covering a broad cross-section of markets such as fire services, plumbing and drainage, gas, electrical, power and telecommunications	Water pipes and fittings	2,261	9.5	2014
Supplier E	A Hong Kong incorporated company supplying devices for fire alarm, fire extinguishing, smoke detection and heat detection systems	Devices for gas extinguishing systems	1,956	8.2	2013
Supplier C	A company formed in Hong Kong engaging in the retail of fire and lighting equipment	Devices for fire alarms systems	1,476	6.2	2009
Supplier H	A Hong Kong incorporated company supplying fire detection and alarm systems	Fire detectors and fire alarms	1,214	5.1	2009
		Total material costs	12,537		
<b>Five months ended 30 September 2016</b>					
Supplier G	A Hong Kong incorporated company distributing pipes and fittings systems covering a broad cross-section of markets such as fire services, plumbing and drainage, gas, electrical, power and telecommunications	Waterpipes and fittings	709	10.8	2014
Supplier C	A company formed in Hong Kong engaging in the retail of fire and lighting equipment	Devices for fire alarms systems	701	10.7	2009
Supplier I	A Hong Kong incorporated company importing and supplying copper pipes, and lead and plastic water pipes	Water pipes and fittings	524	8.0	2014
Supplier F	A Hong Kong incorporated company supplying devices for fire services protection systems and technical support	Devices for gas extinguishing systems	499	7.6	2014
Supplier A	A Hong Kong incorporated company providing fire detection and fire extinguishing systems and devices for the same	Devices for fire detection and fire alarm, and firefighting equipment	430	6.6	2009
		Total purchases costs	2,863		

## **BUSINESS**

None of the Directors, their associates or any Shareholder who owns more than 5% of the issued share capital of our Company has any interest in any of our five largest suppliers during the Track Record Period. All these five largest suppliers are Independent Third Parties.

### **Inventory**

We do not keep inventories of raw materials. Our project manager in each project is responsible for the overall scheduling of orders and deliveries of the materials, so as to match material deliveries with the project's requirements. We normally issue purchase orders to suppliers indicating the different tentative delivery dates which match with the project schedules. All raw materials are delivered by our suppliers to the construction sites or premises for installation. For trading of fire service equipment, we only order from our supplier upon receiving orders from our customers, and the goods will be delivered to our customers directly.

### **QUALITY CONTROL**

Our Directors believe that our financial results and hence our profits depend on our ability to meet our customers' requirements in all respects. In pursuit of quality excellence, we have established formal quality management system which complies with the ISO9001:2008 quality standards. For further details of our certifications and awards, please refer to the subsection headed "Business — Certifications, Awards and Qualification".

To ensure that our installation and maintenance services for fire safety systems meet the ISO9001:2008 quality standards, we normally assign at least one project manager and one project engineer with relevant certifications and/or academic qualifications on a full time basis for each of our projects for quality assurance. While the project engineers are responsible for monitoring the quality of the materials used and the works conducted by subcontractors, project managers are responsible for monitoring the overall work quality, work safety and project progress and ensuring that the installation or maintenance works can be completed within the contracted timeframe and the estimated budget.

### **Selection and inspection of materials**

In respect of the quality of the materials used, we maintain a list of approved suppliers. We assess and evaluate the industry qualification, job and project reference, business scale, on-time delivery, financial stability and compliant history of the suppliers to determine whether a supplier is eligible for inclusion in the list of approved suppliers. We generally procure materials from suppliers in the list of approved suppliers to ensure the quality of the materials supplied. If our customers designate a supplier which is not on the list of approved suppliers, we will conduct assessment on such supplier and decide whether or not the supplier can be admitted into our list of approved suppliers according to our assessment criteria. Further, we select the materials in accordance with the specifications set out in the relevant contracts with our customers as well as in compliance with all applicable regulatory requirements issued by relevant Government authorities.

Upon identification of the selected materials and their relevant suppliers, we will submit the relevant information of the same to our customers for review and approval. Once we obtain approval from our customers, we or our subcontractors will place the purchase orders accordingly.



## BUSINESS

Upon delivery of the materials, the project engineer and representatives of our customer will inspect the materials at the project site to ensure that the materials meet the product specifications as stated in the purchase orders. We will return any defective items to the suppliers for replacement.

### **Selection and control on subcontractors**

We maintain a list of approved subcontractors. We assess and evaluate the work quality, site management and work planning, time management, work safety track record, financial strength and stability, environmental awareness and cooperativeness with third parties of the subcontractors to determine their eligibility for inclusion in the list of approved subcontractors. We generally engage subcontractors in the list of approved subcontractors to ensure the quality of the subcontracted works.

The project managers will attend the project sites from time to time while the project engineers will station at the project sites at least once a week to supervise and review the works of the subcontractors on a continuing basis to ensure that the subcontracted works conform to the specifications as set out in our contracts with the customers. Such supervision and review procedures include, among others:

- (i) explaining to and discussing with the subcontractors on the details of the subcontracted works before commencement of site works as well as during regular site meetings to enable the subcontractors to understand and comply with the customers' requirements;
- (ii) performing regular on-site inspection of subcontractors' works;
- (iii) debrief the subcontractors on a regular basis and hold regular meetings with subcontractors to review the work progress; and
- (iv) regular site meetings with the site workers.

Before accepting the works conducted by subcontractors, our project managers and project engineers will assess the subcontracted works in accordance with the specifications as set out in our contracts with customers, so as to ensure that the subcontracted works meet our customers' requirements. If we discover any substandard works, we will request our subcontractors to rectify the same.

# BUSINESS

## CERTIFICATIONS, AWARDS AND QUALIFICATION

Over the past years, we have received certifications, awards and qualifications from various organisations.

### Certifications

The table below sets out the major certifications which we have received:

Certification/ accreditations	Current version	Awarding organisation	Year first obtained	Expiry date for current certificate
ISO9001	ISO9001:2008	SGS Hong Kong Limited	2003	30 June 2018
ISO14001	ISO14001:2004	SGS Hong Kong Limited	2010	15 September 2018
OHSAS18001	OHSAS18001:2007	SGS Hong Kong Limited	2010	27 August 2019

The ISO accreditations demonstrate that we have achieved an international standard of quality management in an environmentally friendly manner. We actively implement our commitment to ISO 9001 (Quality Management), ISO 14001 (Environmental Stewardship) and OHSAS 18001 (Occupational Safety and Health) standards by setting internal guidelines that align to stringent performance indicators.

### Awards

Over the past years, our Group has received awards and recognition from various organisations. The table below sets out the significant awards and recognitions which we have received:

Awards	Year	Issuer of award	Recipient
Safety, Health and Environmental Performance Achiever Award (Projects Division)	2012	Hongkong Electric Company, Limited	Windmill Engineering
Good Environmental, Health & Safety Performance Award — E&M Contractor (Transmission and Distribution Division)	2012	Hongkong Electric Company, Limited	Windmill Engineering
Contractor Environmental, Health & Safety Promotion Award — Merit Award (Transmission and Distribution Division)	2012	Hongkong Electric Company, Limited	Windmill Engineering
CLP Chui Ling Road Substation — The Best Subcontractor for the year of 2012	2012	Hip Hing Construction Company Limited	Windmill Engineering
Good Environmental, Health & Safety Performance Award — E&M Contractor (Transmission and Distribution Division)	2015	Hongkong Electric Company, Limited	Windmill Engineering
The 22nd Considerate Contractors Site Award Scheme — HEC Projects Division Contract: Supplies Building Renovation in Lamma Power Station — Model Subcontractor Award (Bronze Award)	2016	Development Bureau, Construction Industrial Council	Windmill Engineering

## BUSINESS

### LICENCES, PERMITS, QUALIFICATIONS AND REGISTRATIONS

#### Our Group's licences, permits, qualifications and registrations

During the Track Record Period and up to the Latest Practicable Date, our Group has obtained all licenses, permits and registrations which are necessary for our business operations in Hong Kong. The table below sets forth details of our major licences, permits, qualifications and registrations:

Licence/registration	Governing authority	Registrant/holder	Major works permitted	Date of grant/registration	Expiry date (where applicable)
<b>Registered Fire Service Installation Contractor (Class 1)</b>	Fire Services Department	Windmill Engineering	Install, maintain, repair and inspect fire service installation or equipment which contains an electrical circuit or apparatus for detecting and warning of smoke or fire.	2 February 1990	Not applicable <i>(Note 1)</i>
<b>Registered Fire Service Installation Contractor (Class 2)</b>	Fire Services Department	Windmill Engineering	Install, maintain, repair and inspect fire service installation or equipment which contains pipes and fittings for carrying fire extinguishing medium or electrical apparatuses.	18 February 1987	Not applicable <i>(Note 1)</i>
<b>Registered Electrical Contractor</b>	EMSD	Windmill Engineering	Works in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low voltage or high voltage fixed electrical installation.	1 June 2016	26 June 2019
<b>Radioactive Substances Licence</b>	Radiation Board	Windmill Engineering	Convey and store radioactive substances for the purpose of conveyance of smoke detectors.	11 November 2016	8 January 2018
<b>Approved Suppliers of Materials and Specialist Contractors for Public Works — Fire Services Installation (Group II)</b> <i>(Note 2)</i>	Works Branch of Government Secretariat	Windmill Engineering	Approved for carrying out works in connection with fire services installation.	21 March 1994	Not applicable <i>(Note 1 and Note 3)</i>
<b>List of Works Contractors and Property Management Services Providers — fire services and water pump contractors)</b>	Housing Authority	Windmill Engineering	Approved for carrying out works in connection with fire services and water pump installation in residential, commercial and institutional buildings.	7 April 1994	Not applicable <i>(Note 1)</i>

## BUSINESS

Licence/registration	Governing authority	Registrant/holder	Major works permitted	Date of grant/registration	Expiry date (where applicable)
<b>Registered subcontractor on the Primary Register under the Subcontractor Registration Scheme</b>	Construction Industry Council	Windmill Engineering	Approved for taking part in building and engineering works for fire service systems.	12 November 2004	2 November 2018

*Notes:*

- (1) The relevant registration is not subject to any periodic renewal.
- (2) Windmill Engineering is registered as an approved contractor on the fire services installation category (Group II) of the Specialist List to undertake public works contracts/subcontracts for fire services installation of unlimited value.
- (3) Windmill Engineering is subject to certain criteria for retention of the registration. Please refer to the section headed “Regulatory Overview” in this prospectus for the retention requirement.

### Employees’ licences and registrations

During the Track Record Period and up to the Latest Practicable Date, some of our employees have obtained licenses and registrations which are necessary for our business operations in Hong Kong. The table below sets forth details of the major licences and registrations obtained by some of our employees which are currently effective:

Licence/registration	Governing authority	Registrant/holder	Major works permitted	Date of grant/registration	Expiry date (where applicable)
<b>Registered Fire Service Installation Contractor (Class 3)</b>	Fire Services Department	Lam Tai Ming <i>(Note 2)</i>	Maintain, repair and inspect portable equipment for extinguishing, attacking, preventing or limiting fires.	21 June 2012	Not applicable <i>(Note 1)</i>
<b>Licensed plumber (Grade 1)</b>	Water Supplies Department	(1) Yuen Hok Bun (2) Ho Man Ho	Construct, install, maintain, alter, repair or remove a fire service or inside service of any type.	Not available Not available	(1) 31 December 2017 (2) 31 December 2017
<b>Registered Electrical Worker (Grade A)</b>	EMSD	(1) Lin Tak Siu (2) Yeung Wing Yee (3) Leung Chi Ming	Carry out electrical work on a low voltage fixed electrical installation not exceeding 400A, single or three phase.	(1) 20 October 2014 (2) 15 March 2014 (3) 25 January 2015	(1) 19 October 2017 (2) 14 March 2020 (3) 24 August 2018
<b>Registered Electrical Worker (Grade B)</b>	EMSD	(1) Mr. Li (2) Lam Tai Ming (3) Yuen Hok Bun	Carry out electrical work on a low voltage fixed electrical installation not exceeding 2500A, single or three phase.	(1) 18 June 2016 (2) 23 November 2016 (3) 16 November 2016	(1) 17 June 2019 (2) 22 November 2019 (3) 15 November 2019
<b>Registered Electrical Worker (Grade H)</b>	EMSD	Sin Kam Hung	Carry out electrical work on a high voltage electrical installation.	1 November 2015	31 October 2018

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### *Notes:*

- (1) The relevant registration is not subject to any periodic renewal.
- (2) Only an individual may register as a Fire Service Installation Contractor in Class 3. As at the Latest Practicable Date, Mr. Lam Tai Ming, an employee of Windmill Engineering, was a registered fire service installation contractor.

To ensure or enable more staff to obtain license and register for special qualifications, we plan to (i) apply part of the net proceeds from the Share Offer to sponsor and arrange external courses to train for Class 3 Fire Services Installation Contractors and licensed plumbers; and (ii) recruit replacement of the relevant staff right after they serve their notice of resignation. In the event there is no staff qualified for the relevant tasks for any reason, we will subcontract relevant work to workers with proper qualification or licences.

### **INSURANCE**

During the Track Record Period, we secured insurance policies as set out below. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our insurance expenses were HK\$0.3 million, HK\$0.3 million and HK\$0.2 million respectively.

#### **Contractors' all risk insurance**

During the Track Record Period, our Group was engaged either as a domestic subcontractor or a nominated subcontractor for our projects of installation and maintenance of fire safety systems. If our Group is engaged as a domestic subcontractor, our Group's customers or the main contractors are responsible for purchasing the contractors' all risk insurance policies covering the liabilities of our Group and that of our subcontractors arising out of the performance of the subcontracted works. If our Group is engaged as a nominated subcontractor, our Group is generally responsible for purchasing the contractors' all risk insurance policies for our employees as well as our subcontractors' employees. Such insurance policies generally extend throughout the entire period of a contract, including the defect liability period following completion of the project.

#### **Employees' compensation insurance**

We maintain insurance cover for our liabilities under employees' compensation and personal injury claims which meets the statutory minimum insurance coverage of HK\$100 million on a per incident basis.

We consider such insurance coverage being generally sufficient for our liabilities under employees' compensation claims and personal injuries actions.

#### **Public liability insurance**

We also maintain insurance cover for our liabilities for claims made by third parties for injuries to persons, or damage to properties caused as a result of our business activities. The insurance coverage is HK\$10 million on a per incident basis.

Taking into account the prevailing industry practice and our current operations, our Directors are of the view that our current insurance policies provide sufficient coverage of the risks we may be exposed to and are in line with the industry norm.

## **OCCUPATIONAL HEALTH AND SAFETY**

### **Safety management system**

We emphasise the health and safety of our employees and we are committed to providing a safe and healthy working environment for the benefit of our employees and our subcontractors. To this end, we have established in-house rules and safety measures for our employees and our subcontractors' employees to observe at project sites, in order to promote a safe and healthy working environment and to ensure compliance with the applicable laws and regulations. Such rules and safety measures include, among others:

- proper procedures for carrying out different types of works, such as lifting of heavy objects, cutting of materials and use of electricity and electrical devices;
- proper procedures for operating and handling different types of machinery and equipment; and
- the use of proper personal protective equipment, such as safety helmets, safety gloves and breathing masks, under different circumstances.

Apart from our in-house rules and safety measures to be observed at project sites, we have also adopted a set of in-house procedures in respect of preserving the environment, and upholding health and safety of our employees. We have appointed our senior project manager, Mr. Lam Tai Ming, as our Management Representative for overseeing matters in relation to occupational health and safety and our observance of the procedures.

Pursuant to our in-house procedures, we are required to provide training to our employees. Such training includes (a) induction training to our new employees providing an overview of our environmental, health and safety policies, staff's general duties, procedures for handling work accidents and use of safety equipment; and (b) training to our existing employees in respect of manual handling operations, fire safety, use of safety equipment, electrical safety and first aid. Our Management Representative shall review the contents of the training from time to time and improve the training if necessary.

Apart from our own in-house rules and safety measures, we have also adopted the safety plans provided by our customers or main contractors in every project. Our project engineer is responsible for monitoring and implementing the safety plans to ensure work safety of our employees and our subcontractors' workers.

### **Guidelines for handling employees' injuries and accidents at work**

Our Group maintains a proper system for handling and recording accidents and injuries of both our own employees and our subcontractors' workers.

## **BUSINESS**

For works carried out at construction sites, we observe the guidelines of the main contractors in handling accidents and injuries of the main contractor. Our onsite project engineers would report any accidents or injuries of our employees and our subcontractors' employees to the main contractors as well as our administration department. For maintenance work where there are no main contractors, our onsite project engineers would report any accidents or injuries of our employees and our subcontractors' employees to our customers and our administration department.

Our administration department shall notify the insurance companies and/or the Labour Department as required under the law or the relevant insurance policies about any possible claims and facilitate communications between the insurance company and the injured party/ies, in order to protect the interests of the injured party/ies and our Group. Our administration department is also responsible for keeping records of information on all accidents and injuries of our employees or our subcontractors' workers, including the identity of the injured party/ies, the time and causes of accidents, and details of injuries.

Save and except the incident relating to the personal injury claim disclosed under the subsection headed "Business — Litigation" in this prospectus, there is no other material accident recorded during the Track Record Period.

### **ENVIRONMENTAL MATTERS**

Our business is subject to certain laws and regulations in relation to environmental protection. Please refer to the section headed "Regulatory Overview" in this prospectus for further details. Our Directors believe that it is essential for us to be environmentally responsible, and to meet the customers' demands for environmental protection and the expectation of the community for a healthy living and working environment.

In this connection, we have set up an environmental management system, which was awarded with ISO14001:2004 certification by SGS Hong Kong Limited, to promote environmental awareness and to prevent pollution of the environment.

Our project managers and administration department will identify potential environmental issues which may arise in our normal operations and potential emergency situations. Upon identifying potential environmental issues, our project managers will determine the significance of each such issue and assign a rating in respect of its frequency, severity, regulation and controllability. Our project managers will then determine the appropriate control measures in relation to the potential environmental issues.

Our project managers and administration department are responsible for ensuring that our environmental management system is established, implemented and maintained. We also require our subcontractors and their labour and our staff to comply with our environmental protection policy by providing environmental management system, operational control and compliance training to them.

The Directors confirm that costs in relation to environmental compliance are usually borne by our customers. During the Track Record Period, we did not incur any material amount in relation to compliance with applicable environmental requirements. We estimate that our annual costs of compliance going forward will be at a level similar to that during the Track Record Period and consistent with our scale of operations.

## BUSINESS

During the Track Record Period, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

### PROPERTIES

We do not own any property and we lease all of the premises occupied by us. During the Track Record Period and as at the Latest Practicable Date, we leased two properties in Hong Kong from Independent Third Parties, the details of which are set out below:

Address	Gross floor area (square feet)	Lessor	Key terms of the tenancy	Usage
Unit No. 9, 15th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong	1,812	Camworth Enterprises Limited	Monthly rental of HK\$36,240 (excluding management fees, rates, government rents and all outgoings).  Tenancy period from 22 October 2015 to 21 October 2017, with an option to renew for a further term of one year at the then market rent.	For general office and operational use
Unit No. 19, 5th Floor, 20 Sheung Yuet Road, Kowloon Bay, Hong Kong	1,101	Choi Fuk Hing	Monthly rental of HK\$12,831 (excluding management fees and all outgoings).  Tenancy period from 15 February 2016 to 14 February 2017.  The above tenancy was renewed for a term of two years up to 14 February 2019 and the monthly rental was adjusted to HK\$13,080.	For storage and operational use

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



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### EMPLOYEES

#### Number of employees by function

We had a total of 30, 26 and 42 employees as at 30 April 2015, 30 April 2016 and 30 September 2016 respectively. As at the Latest Practicable Date, we had 41 full-time employees who were directly employed by our Group. A breakdown of our employees by function as at the aforesaid dates is set out below:

	<b>As at the Latest Practicable Date</b>
Directors and business development	2
Project management	8
Engineering	13
Technical support	8
Accounting and administration	<u>10</u>
<b>Total</b>	<b><u>41</u></b>

#### Relationship with employees

During the Track Record Period and up to the Latest Practicable Date, our Group has not experienced any significant problems with our employees or disruption to our operations due to labour disputes or strikes. We also have not experienced any difficulties retaining experienced or skilled personnel. As a result, our Directors consider that our Group has maintained good relationships with our employees.

The Directors confirm that our Group has complied in all material respects with all applicable labour laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

#### Recruitment and training policies

We believe that our employees are important assets to our Group. We use our best efforts to attract and retain appropriate and suitable personnel. We assess the available human resources on a continuous basis and will determine the need to recruit additional personnel to cope with our business development from time to time.

We require new employees to undergo training to familiarise themselves with the applicable rules and regulations and their job duties and requirements before they start working. We also provide them with our employees' handbook to familiarise them with our internal rules.

We also emphasise on continuing education and quality training of our staff to enhance their work performance. We offer training programmes to our employees, which are designed to develop their skills to meet our enterprise goals and our customers' requirements. These include, for example, safety supervisor training programme and Class 3 portable fire extinguisher training programme.

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### Remuneration policy

Our Group offers attractive remuneration packages to our employees, which include salary, discretionary bonuses and allowance. We determine the salaries of our employees mainly on the basis of their qualifications, experience, position and seniority. We conduct half-yearly reviews on the performance of each of our employees and may issue bonuses twice a year to employees with good performance.

### LITIGATION

Our Group may, in the ordinary course of business, be involved in personal injury claims commenced by our employees or workers of our subcontractor for personal injuries suffered during work. Save as disclosed below, there were no material claims or litigation against our Group during the Track Record Period and up to the Latest Practicable Date:

Nature of the claim	Plaintiff(s)/ Applicant(s)	Defendant(s)	Status
<p>Personal injuries claim (action no. DCPI42/2013)</p> <p>The plaintiff's right hand was cut by the sharp edge of a metal frame when he descended from a wooden ladder.</p>	<p>A worker of a subcontractor of the 3rd Defendant</p>	<p>1st defendant: a Government-related organisation</p> <p>2nd defendant: Windmill Engineering</p> <p>3rd defendant: our subcontractor</p> <p>4th defendant: contractor engaged by 1st defendant</p>	<p>Settled.</p> <p>The court granted a consent order on 3 July 2014 after parties' mediation.</p> <p>The 1st defendant and Windmill Engineering were ordered to jointly and severally pay HK\$450,000 as settlement sum, the plaintiff's counsel's fees (agreed to be HK\$69,000), HK\$1,390 as doctors' fees disbursement of the Department of Legal Aid, and HK\$6,000 as mediation fees and all such sums have been fully paid.</p>

Save for the personal injuries claim as disclosed above, during the Track Record Period and up to the Latest Practicable Date, all employees' compensation claims, personal injury claims and other claims against the Group were covered by insurance policies maintained by our Group or our customers as the main contractors.

For the personal injuries claim disclosed above, our Group was unable to seek reimbursement from our insurer because the plaintiff was a self-employed person who did not fall within our insurance coverage. To prevent the occurrence of similar claims, we have included a provision in our contracts with our subcontractors requiring them not to recruit self-employed persons as labour.

We also seek to reinforce our current safety practice to promote work safety and reduce the risk of accidents and thus the risk of claims and litigation. Please refer to the subsection headed "Business — Occupational Health and Safety — Safety management system" in this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, saved as disclosed above, no member of our Group nor any of our Directors was engaged or involved in any claim, litigation, arbitration, bankruptcy or receivership proceedings which is of material importance to our Group. During the said period, no member of our Group nor any of our Directors were threatened by any potential claim, litigation, arbitration, bankruptcy or receivership proceedings which is of material importance to our Group.

## BUSINESS

### COMPLIANCE

Our Directors confirm that we have complied in all material respects with all applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

#### Non-compliance with the regulations under the Fire Services Ordinance

During the Track Record Period and up to the Latest Practicable Date, there were certain non-compliance incidents by Windmill Engineering, our principal subsidiary, of certain regulations under the Fire Services Ordinance, details of which are set out below. Such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial operations.

Relevant section(s)/ regulations of the ordinance	Details of non-compliance event	Reasons for the non-compliance	Legal consequence for non-compliance	Status	Measures to prevent future breaches and ensure on-going compliance
Regulations 9(2A) and 9(3)(b) of the Fire Service (Installations and Equipment) Regulations (Chapter 95B of the Laws of Hong Kong)	Windmill Engineering issued two Certificates of Fire Services Installations and Equipment in November 2014 to its client upon completion of inspection of certain fire services equipment by a class 3 fire service installation contractor registered with the Fire Services Department, namely, Mr. Lam Tai Ming, who is a member of our senior management. The two certificates should have been signed by Mr. Lam Tai Ming as the holder of the said class 3 licence. However, in the signature block of the said two certificates, Mr. Sin Kam Hung's name was inserted and the two certificates were signed by Mr. Sin Kam Hung, who is a member of our senior management and an authorised signatory of Windmill Engineering in issuing Certificates of Fire Services Installations and Equipment in the capacity of classes 1 and 2 fire service installation contractor. Windmill Engineering received a warning letter from the Fire Services Department on 29 December 2015 for issuing two Certificates of Fire Services Installations and Equipment which were false or misleading and which were not signed by an authorised signatory under Regulation 9(2A) of the Fire Service (Installations and Equipment) Regulations.	Windmill Engineering admitted that the incorrect information stated in the said certificates and the failure to have them signed by the authorised person holding the class 3 licence were due to a clerical error made by administrative staff of Windmill Engineering who inadvertently typed the name of Mr. Sin Kam Hung on the signature block of the authorised signatory in the said certificates and passed them to Mr. Sin Kam Hung for his signing and Mr. Sin Kam Hung signed the two certificates inadvertently.	Liable on conviction to a fine at level 5 of up to HK\$50,000 pursuant to Regulations 9(2A) and 9(3)(b) of the Fire Service (Installations And Equipment) Regulations.	The investigation conducted by the HKFSD revealed that the case was merely due to oversight. As a result, the HKFSD issued a warning letter to Windmill Engineering in December 2015 without taking any legal action.	We have provided a written guideline to our clerical staff who is responsible for typing up the prescribed forms for issuing such certificates setting out instructions for completing the prescribed forms for issuing such certificates, including samples of completed forms, names of authorised signatories responsible for signing the relevant certificates corresponding to the type of the certificate and the class of fire service installation contractor licence, namely, class 1, class 2 or class 3, under whose capacity the relevant certificate is to be issued. We have reminded the clerical staff to follow the written guideline and double-check the information to ensure each certificate is passed to the relevant authorised signatory for signing. We have also reminded the authorised signatories to double check each certificate before their signing of the same. Given it is a clerical error, our Directors considered that, and the Sole Sponsor concurred that, provision of a written guideline and reminders to our clerical staff to double check the relevant forms and also the provision of reminders to the authorised signatories to double check the relevant certificates before they sign on the same would be sufficient and effective to prevent the recurrence of similar incidents. This is substantiated by the fact that there has been no similar incidents thereafter up to the Latest Practicable Date.

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Relevant section(s)/ regulations of the ordinance	Details of non-compliance event	Reasons for the non-compliance	Legal consequence for non-compliance	Status	Measures to prevent future breaches and ensure on-going compliance
Regulation 7(1) of the Fire Service (Installation Contractors) Regulations (Chapter 95A of the Laws of Hong Kong)	Windmill Engineering failed to notify the HKFSD in writing about the resignation of two qualified persons within 14 days of their resignation as required under the relevant regulation, which took place in June 2014 and July 2014 respectively.	Windmill Engineering admitted that the failure to notify the HKFSD in writing about the resignation of the two qualified persons was due to one of our employees responsible for human resources inadvertently omitting to file the notifications to the HKFSD.	Pursuant to Regulation 13 of the Fire Service (Installation Contractors) Regulations, any person who contravenes Regulation 7(1) shall be guilty of an offence.  Pursuant to Regulation 10 of the Fire Service (Installation Contractors) Regulations, if the disciplinary board is satisfied that a registered contractor has been convicted of an offence, it may order that (1) the name of the registered contractor be removed from the register; or (2) the registered contractor be reprimanded.	The HKFSD, without taking any legal action, issued a warning letter to Windmill Engineering reminding Windmill Engineering of the requirements and stating that prosecution would be taken for further contravention of the relevant regulation.  Windmill Engineering has made two applications on 7 June 2016 and 20 June 2016 respectively for deleting the two qualified persons from its list of qualified persons, which have been granted by the HKFSD in June 2016 and July 2016 respectively.	We have compiled a list of our Group's employees which will be updated from time to time upon occurrence of any changes and those employees who are qualified persons under the relevant laws and regulations are highlighted in the list. Our employees responsible for human resources administration are required to keep track of any changes in our human resources, and in particular our qualified persons, and prepare the appropriate notification to HKFSD which will then be signed and double-checked by one of our executive Directors for submission to the HKFSD within 7 days of any such change.

## **INTELLECTUAL PROPERTY RIGHTS**

We are the registered owner of the domain name of www.windmill.hk.

We have filed an application for trademark registration of “WINDMILL”. Detailed information of our intellectual property rights is set out in the subsection headed “B. Further Information about the Business of our Company — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

We have put in place various other internal control policies and measures to ensure continuing compliance of applicable laws, rules and regulations and to control our business risks on various facets. These facets and measures cover, include among others, the following:

For the purpose of controlling and managing various business or financial risks of our Group:

- the management shall meet semi-annually or as called upon by any member of the risk management committee; the risk management committee shall, with reference to the business and operation environment and financial position of our Group as well as the changes in the economic and political conditions, identify potential risks (such as business risks) faced by our Group and to assess such risks and implications to our Group; and the risk management committee shall also design and develop measures to address and mitigate such risks as well as assign designated persons for implementation and subsequently monitoring and reporting of such measures. The biographies of the members of the risk management committee are set out in the section headed “Directors and Senior Management” of this prospectus;
- we adopted written policies detailing the relevant accounting standards and procedures in respect of the recognition of contract revenue from installation and maintenance contracts;
- we have employed Mr. Yim Ping Kuen, a certified public accountant as our financial controller to oversee the accounting department and monitor financial reporting procedures to ensure the adoption of proper accounting principles. Please refer to the subsection headed “Directors and Senior Management — Senior Management” in this prospectus for the biography of Mr. Yim;
- Mr. Yim shall review the monthly management accounts prepared by the accounting team and involved in preparation of the financial statements of the Group to ensure that they are prepared in accordance with the HKFRSs, which will then be reviewed and approved by the Board of Directors;

## BUSINESS

- we shall regularly arrange its accounting team to attend training courses organised by accounting professional to enhance their accounting knowledge and to ensure compliance with accounting standards;
- Mr. Yim will also be responsible for reviewing the tax returns filed with the IRD, and if necessary, a tax consultant will be consulted to ensure tax-related laws and requirements are complied with; and
- Mr. Lam Tai Ming has been appointed as the work safety officer of our Group to arrange regular training to our staff who need to attend site works. These include a safety supervisor training programme to all our electrical engineers, a Class 3 portable fire extinguisher training programme to Class 3 license holders and a licensed plumber training programme to licensed plumber license holders.

For the purpose of compliance with the applicable laws, rules and regulations:

- Ms. Leung Wan Yi, our administration manager has been assigned to (i) oversee the renewal of licenses of our Group and employees to ensure requisite licenses are renewed and maintained; (ii) review and check all certificates filed with the Fire Services Department to ensure each of them is signed by qualified persons and the accuracy of the contents filled in; (iii) monitor the updating of the Group's portfolio in terms of capital requirement, job references etc. to meet the prerequisites for maintaining various qualifications for our Group's business; (iv) supervise the due follow-up by the administration department to ensure all necessary notifications or changes in information of authorised persons are duly notified to the Fire Services Department or relevant authorities and (v) review our insurance policies to ensure sufficient insurance coverage for contracted works is maintained;
- legal advisers as to Hong Kong law have provided training sessions to the Directors and senior management of our Group on the continuing obligations of a listed company in Hong Kong and on directors' responsibilities and liabilities, and will provide training or regular seminars and updates twice a year on the continuing obligations of a listed company in Hong Kong and on directors' responsibilities and liabilities to directors and senior management after the Listing;
- we have appointed Dakin Capital as our compliance adviser with effect from the date of Listing to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong; and
- we engage external legal counsel to advise us on particular issues from time to time.

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

We aim to expand our business to maintain and strengthen our market position by pursuing the following strategies:

- continuous active participation in providing services for fire safety systems in public sectors and advanced fire safety system work for private buildings;
- expand our maintenance service business;
- streamline the fire service installation process; and
- maintain and further enhance our high standards of project planning, management and implementation.

For details of our objectives and strategies, please refer to the subsection headed “Business — Business Strategies” for details.

### FUTURE PLANS

We plan to substantiate our strategies through the following avenues:

#### **1. Expand and increase our capacity in providing our services**

In order to increase our capacity in providing our services, we plan to reserve HK\$19.0 million of the net proceeds for expanding and increasing our capacity in providing installation and maintenance services for fire safety system, among which (i) HK\$6.0 million will be reserved for paying materials and subcontracting fees during early stage of project execution, and (ii) HK\$13.0 million for providing performance bonds for fire safety systems installation projects including for amusement parks, railway stations and bus terminals with total estimated contract sum of approximately HK\$130.0 million.

#### **2. Expand our manpower for project execution and strengthen the expertise and skills of our staff**

We plan to expand our manpower for project execution and strengthen the expertise and skills of our staff as follows:

- (i) recruit a total of ten staff, including one project manager, three project engineers and four technicians for maintenance project execution and two administration clerks for administration and operation;
- (ii) arrange and sponsor our staff to attend external training and seminars including those for project management, occupational work safety, Class 3 Five Services Installation Contractors and licensed plumbers in order to support the future growth of our Group;
- (iii) continue to assess the sufficiency of our labour resources having regard to our project execution needs and business development demands;

## **FUTURE PLANS AND USE OF PROCEEDS**

### **3. Develop central pre-fabrication piping workshop**

We plan to develop a central pre-fabrication piping workshop to streamline the fire service installation process to expedite the installation process and reduce labour costs as follows:

- (i) Rent a workshop and engage professionals to design the workshop layout
- (ii) Recruit eight staff to operate the workshop
- (iii) Purchase computer hardware and software
- (iv) Commence trial run of the workshop by 30 April 2019 and gradually promote it to our customers depending on the preference of our then customers.

### **4. Purchase an ERP system**

To maintain and further enhance our high standards of project planning, management and implementation, we plan to purchase an ERP system supported with project management software relating to construction engineering, which supports design drawings, project planning and budgeting, raw materials planning, costs planning, recording and tracing of status of projects as well as financial reporting function.

### **5. Enhance our Group's marketing resources and recognition in Hong Kong**

To support the realisation of our strategies for maintaining and strengthening our market position as a whole, we plan to design and print corporate brochures and update the design and provide future maintenance of our corporate website.

## **IMPLEMENTATION PLAN**

In light of the business objectives and future plans of our Group, we will seek to attain the milestones below from the Latest Practicable Date to 30 April 2019. Investors should note that the milestones and their scheduled time for attainment are formulated on the bases and assumptions referred to in the subsection headed "Bases and Assumptions" below. 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 time frame or that the objectives of our Group will be accomplished at all. Whilst the growth of the fire safety service market fluctuates,



## FUTURE PLANS AND USE OF PROCEEDS

our Directors will use their best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans:

### From the Latest Practicable Date to 30 April 2017

Strategies/Plans	Implementation activities	Amount of net proceeds to be applied (HK\$)
Expand and increase our capacity to provide installation and maintenance services for fire safety system	<ul style="list-style-type: none"> <li>● Reserve funding for providing performance bonds amounting to HK\$5.0 million to enable our Group to submit tenders and /or undertake installation projects including those for an amusement park with aggregated contract sum of not less than HK\$50.0 million</li> </ul>	5.0 million
Expand our manpower for project execution and strengthen the expertise and skills of our staff	<ul style="list-style-type: none"> <li>● Recruit one project manager</li> <li>● Recruit three project engineers</li> <li>● Recruit four technicians for project execution</li> <li>● Recruit two administration clerks for administration and operation</li> </ul> (referred to as the “ <b>ten new staff</b> ” hereinafter)	0.8 million
Purchase ERP system	<ul style="list-style-type: none"> <li>● Engage a professional IT service provider to design an ERP system (first payment of 50% of development fee)</li> </ul>	0.6 million
Increase our Group’s marketing resources to enhance brand awareness of our Group	<ul style="list-style-type: none"> <li>● Engage professionals to design and print corporate brochures</li> <li>● Engage professionals to update the design and to provide maintenance of our corporate website</li> </ul>	0.1 million

## FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 October 2017

Strategies/Plans	Implementation activities	Amount of net proceeds to be applied (HK\$)
Expand and increase our capacity to provide installation and maintenance services for fire safety system	<ul style="list-style-type: none"> <li>● Participate further in fire safety system installation and maintenance projects, and utilise the proceeds from the Share Offer to finance the net cash outflows required in early stage of execution of projects, including the prepayment of material costs and design cost for installation projects including those for the terminus tower of a railway station with aggregated contract sum of not less than HK\$30.0 million</li> </ul>	1.5 million
	<ul style="list-style-type: none"> <li>● Increase reserve of funding for providing performance bonds amounting to HK\$3.0 million to enable our Group to submit tenders and/or undertake installation projects including those for terminus tower of railway station with aggregated contract sum of not less than HK\$30.0 million</li> </ul>	3.0 million
Expand our manpower for project execution and strengthen the expertise and skills of our staff	<ul style="list-style-type: none"> <li>● Salary payments for the ten new staff</li> </ul>	1.5 million
	<ul style="list-style-type: none"> <li>● Arrange and sponsor our staff to attend external training and seminars including those for project management occupational work safety, Class 3 Fire Services Installation Contractors and licensed plumbers in order to support the future growth of our Group</li> </ul>	0.2 million
Purchase ERP system	<ul style="list-style-type: none"> <li>● Design and develop the ERP system (payment of remaining 50% of development fee and use of cloud services)</li> </ul>	0.7 million
Increase our Group's marketing resources to enhance brand awareness of our Group	<ul style="list-style-type: none"> <li>● Engage professionals to design and print our corporate brochures</li> <li>● Engage professionals to update the design and provide maintenance of our corporate website</li> </ul>	0.2 million

## FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 April 2018

Strategies/Plans	Implementation activities	Amount of net proceeds to be applied (HK\$)
Expand and increase our capacity to provide installation and maintenance services for fire safety system	<ul style="list-style-type: none"> <li>● Participate further in fire safety system installation and maintenance projects, and utilise the proceeds from the Share Offer to finance the net cash outflows required in early stage of execution of projects, including the prepayment of insurance costs, subcontracting costs for the terminus tower of a railway station with aggregated contract sum of not less than HK\$30.0 million</li> </ul>	1.5 million
	<ul style="list-style-type: none"> <li>● Increase reserve of funding amounting to HK\$3.0 million for providing performance bonds to enable our Group to submit tenders and/or undertake installation projects including those for terminus tower of railway station with aggregated contract sum of not less than HK\$30.0 million</li> </ul>	3.0 million
Expand our manpower for project execution and strengthen the expertise and skills of our staff	<ul style="list-style-type: none"> <li>● Salary payments for the ten new staff</li> </ul>	1.5 million
	<ul style="list-style-type: none"> <li>● Arrange and sponsor our staff to attend external training and seminars</li> </ul>	0.2 million
Develop central pre-fabrication piping workshop	<ul style="list-style-type: none"> <li>● Identify and rent premises for constructing a workshop in Hong Kong, enter into tenancy agreement and pay rental deposit</li> </ul>	1.0 million
	<ul style="list-style-type: none"> <li>● Engage professionals to design the workshop layout</li> </ul>	
Purchase ERP system	<ul style="list-style-type: none"> <li>● Testing and implementation of the ERP system (use of cloud services and application subscription fee)</li> </ul>	0.3 million
Increase our Group's marketing resources to enhance brand awareness of our Group	<ul style="list-style-type: none"> <li>● Printing of our corporate brochures</li> <li>● Maintenance of our corporate website</li> </ul>	0.2 million

## FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 October 2018

Strategies/Plans	Implementation activities	Amount of net proceeds to be applied (HK\$)
Expand and increase our capacity to provide installation and maintenance services for fire safety system	<ul style="list-style-type: none"> <li>● Participate further in fire safety system installation and maintenance projects, and utilise the proceeds from the Share Offer to finance the net cash outflows required in early stage of execution of projects, including the prepayment for material costs and subcontracting costs for (i) a bus terminal with the amount of HK\$0.5 million; and (ii) railway stations with the amount of HK\$1.0 million with aggregated contract sum of not less than HK\$20.0 million</li> </ul>	1.5 million
	<ul style="list-style-type: none"> <li>● Increase reserve of funding for providing performance bonds amounting to HK\$0.6 million and HK\$1.4 million to enable our Group to submit tenders and/or undertake installation projects including those for bus terminal and railway stations respectively with aggregated contract sum of not less than HK\$20.0 million</li> </ul>	2.0 million
Expand our manpower for project execution and strengthen the expertise and skills of our staff	<ul style="list-style-type: none"> <li>● Salary payments for the ten new staff</li> </ul>	1.5 million
	<ul style="list-style-type: none"> <li>● Arrange and sponsor our staff to attend external training and seminars</li> </ul>	0.2 million
Develop central pre-fabrication piping workshop	<ul style="list-style-type: none"> <li>● Rental payment for workshop</li> <li>● Continue the fitting-out of the workshop</li> <li>● Purchase machinery and equipment</li> <li>● Purchase hardware (computers) and software (Microsoft)</li> </ul>	2.0 million
Purchase ERP system	<ul style="list-style-type: none"> <li>● Implementation of new ERP systems (Payment of cloud services and application subscription fee)</li> </ul>	0.3 million

## FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 April 2019

<b>Strategies/Plans</b>	<b>Implementation activities</b>	<b>Amount of net proceeds to be applied (HK\$)</b>
Expand and increase our capacity to provide installation and maintenance services for fire safety system	<ul style="list-style-type: none"> <li>● Participate further in fire safety system installation and maintenance projects, and utilise the proceeds from the Share Offer to finance the net cash outflows required in early stage of execution of projects, including the prepayment for material costs and subcontracting costs for the loading bay and other premises of railway stations with aggregated contract sum of not less than HK\$10.0 million</li> </ul>	1.5 million
Expand our manpower for project execution and strengthen the expertise and skills of our staff	<ul style="list-style-type: none"> <li>● Salary payments for the ten new staff</li> <li>● Arrange and sponsor our staff to attend external training and seminars</li> </ul>	1.5 million 0.2 million
Develop central pre-fabrication piping workshop	<ul style="list-style-type: none"> <li>● Rental payment for workshop</li> <li>● Purchase machinery, equipment and raw materials</li> <li>● Recruit eight staff for commencement of workshop operation, including one plant supervisor, one draftsman, one senior plumber and five plant workers to commence trial run of the workshop</li> </ul>	4.0 million
Purchase ERP system	<ul style="list-style-type: none"> <li>● Full run of new ERP system and further customisation if required (payment of cloud services and application subscription fee)</li> </ul>	0.3 million

## 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:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong;
- there will be no change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation in Hong Kong or any other place in which any member of our Group operates or will operate or is incorporated;
- there will be no material change in the fire safety service industry;
- we will be able to retain our key staff in our management team as well as our professional staff;
- there will be no significant changes in our Group's business relationships with our major customers;
- we will not be materially affected by any risk factors set out in the section headed "Risk Factors" in this prospectus;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group; and
- we will be able to continue our operation in substantially the same manner as it has been operating during the Track Record Period and we will also be able to carry out its development plans without disruptions.

### REASONS FOR LISTING

Our Directors believe that the listing of the Shares on GEM will solidify and strengthen our position as a major provider of fire safety service in Hong Kong.

According to the CIC Report, the total revenue of Hong Kong fire safety industry has increased from HK\$3,529.7 million to HK\$8,803.2 million from 2010 to 2015, which is expected to reach HK\$15,423.7 million in 2020. Please refer to the section headed "Industry Overview" in this prospectus for details of the development and prospects of Hong Kong fire safety industry. In view of the growing prospects of Hong Kong fire safety industry, our Directors intend to expand the business and operation of our Group to meet the growing demand for fire safety services.

## FUTURE PLANS AND USE OF PROCEEDS

The Share Offer will enhance our capital base and provide us with additional working capital to expand and develop our Group by implementing the future plans set out in the paragraphs headed “Business Objectives and Strategies” and “Implementation Plan” above to capture the potential growth in the industry. With our strengthened financial position, our Group will be able to tender for more installation and maintenance projects for fire safety system. Our Group will also have capacity to expand our maintenance service business. Without proceeds from the Share Offer, our Group may not be able to expand and develop in accordance with our aforementioned future plans.

Our Directors believe that the Listing will enable the Group to achieve the following objectives for business development:

- (a) capital raised through the Share Offer would strengthen our Group’s cashflow position to undertake our projects on hand. During the Track Record Period and currently, we rely on external debt financings together with the internal funding generated from our profits as well as Shareholders’ capital injections for our business operations. As at 31 January 2017, we have cash and cash equivalent of HK\$17.2 million and unutilised banking facilities of HK\$15.4 million. We having been utilising and reserved substantial part of our financial resources to undertake projects on hands including the five large-scale projects in public and private sectors we were awarded in the second half year of 2016. These projects include (i) an installation project for a railway station along Shatin to Central Link with a contract sum of HK\$20.4 million; (ii) an installation project for a railway station along the Express Rail Link with a contract sum of HK\$30.2 million; (iii) an installation project for a medical centre of excellence in the paediatrics specialty in Kai Tak with a contract sum of HK\$18.9 million; (iv) an installation project for a data centre at Tseung Kwan O with a contract sum of HK\$7.9 million; and (v) a maintenance project in the premises of various Government departments with a contract sum of HK\$25.4 million. Based on the status of completion of these projects and certificates approving the amount of work eligible for payments to our subcontractors, it is also expected that not less than HK\$20.0 million need to be utilised for settlement of relevant payables and expenses by April 2017. Our Directors considered that raising funds could enhance our financial position for execution of projects.
  
- (b) we have submitted tenders for a number of projects which requires performance bonds to further enhance our project portfolio including (i) an amusement park installation project; (ii) a bus terminal installation project in Tai Wai; and (iii) three installation projects relating to railway stations with an aggregate contract sum of approximately HK\$180.0 million. If we are awarded with these projects, we would be in need of and be able to utilise part of the proceeds from the Share Offer to finance both the net cash outflows required in early stage of execution and the performance bonds required for these projects. Please refer to the subsection headed “Future Plans and Use of Proceeds - Implementation Plan” for details.

Our Directors believe that our Group is in need of funding for continuous development of our business and fund raising through the Share Offer would enhance our financial position for undertaking more projects. More importantly, we could also equip ourselves to enhance our competitiveness in undertaking more new projects in larger scale in terms of contract sum, which usually require provision of performance bonds. Our customers generally uphold retention monies representing up to 5% of the total original contract value (where half of such sum is released upon completion of the project whereas the remaining half can only be

## FUTURE PLANS AND USE OF PROCEEDS

released upon the expiry of up to 12 months of the defective liability period) and/or requiring us to provide performance bonds issued by banks in the amount representing up to 10% of the contract sum issued by a bank in favour of the customers to secure our due performance (which can generally be released upon the completion of the project) . In the event we are not able to provide performance bonds as required, we may need to provide higher percentage of retention monies which would tighten up our cashflow or become less competitive in a tender.

- (c) the current banking facilities are supported by personal guarantee provided by Mr. Li and with properties owned by him and/or his family as collaterals. Capital raised through the Share Offer will enable us to maintain bank facilities without reliance on personal guarantees and collaterals from the Controlling Shareholder. Moreover, our lending bank was willing to release personal guarantees and collaterals provided by Mr. Li, subject to, among other things, our Company being successfully listed on GEM. As such, our Directors believe that pursuing the Listing and the Share Offer will enable our Group to further reduce its reliance on its Controlling Shareholders and enhance its sustainability;
- (d) becoming a public listed company would strengthen our business relationships with our customers, subcontractors and suppliers. As a public listed company, customers, subcontractors and suppliers will have more confidence in (i) the quality of our fire safety services; (ii) the stability and credibility of our financial position with transparent financial reporting; and (iii) our internal control systems to regulate our operations, which may increase the success rate of tenders, which would enhance our competitiveness as a whole;
- (e) enhance our ability to recruit and retain management and technical personnel with a public listing status and increase our capacity to offer more competitive salary packages; and
- (f) the Listing will provide a fund-raising platform to access the capital market for future corporate finance exercises to assist in our future business development and further strengthen and enhance our competitiveness. In addition, the Listing and the Share Offer will expand and diversify our Shareholders base as it will allow institutional and professional investors in Hong Kong to invest in our Shares, thereby establishing a broader Shareholders base benefiting our Company and Shareholders as a whole.



## FUTURE PLANS AND USE OF PROCEEDS

### USE OF PROCEEDS

The aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK\$0.3 per Share, being the mid-point of the indicative range of the Offer Price of HK\$0.2 to HK\$0.4 per Share, and assuming the Offer Size Adjustment Option is not exercised) will be approximately HK\$37.5 million. Our Directors intend to apply the net proceeds from the Share Offer as follows:

- (1) approximately HK\$19.0 million (representing approximately 50.7% of the net proceeds) will be used for expanding and increasing our capacity in providing installation and maintenance services for fire safety system, among which HK\$6.0 million will be reserved for paying materials and subcontracting fees, and HK\$13.0 million will be reserved for providing performance bonds;
- (2) approximately HK\$7.6 million (representing approximately 20.3% of the net proceeds) will be used for expanding our manpower for project execution and strengthening the expertise and skills of our staff, among which HK\$6.8 million will be reserved for recruiting project managers, engineers and technicians for project execution, and HK\$0.8 million will be reserved for arranging and sponsoring our staff to attend external trainings and seminars;
- (3) approximately HK\$7.0 million (representing approximately 18.7% of the net proceeds) will be used for streamlining the process of providing fire safety services by developing a central pre-fabrication workshop;
- (4) approximately HK\$2.2 million (representing approximately 5.9% of the net proceeds) will be used for upgrading our information technology infrastructure, including (i) upgrading our financial reporting system and (ii) developing an ERP system supported with project management software relating to construction engineering, which supports design drawings, project planning and budgeting, raw materials planning, costs planning, recording and tracing of status of projects;
- (5) approximately HK\$0.5 million (representing approximately 1.3% of the net proceeds) will be used for increasing our Group's marketing resources to enhance brand awareness of our Group; and
- (6) the remaining balance of approximately HK\$1.2 million (representing approximately 3.1% of the net proceeds) will be used for additional working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.4 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$19.0 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$0.2 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$19.0 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Offer Size Adjustment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK\$11.4 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.4 per Share;

## **FUTURE PLANS AND USE OF PROCEEDS**

(ii) HK\$8.6 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$0.3 per Share; and (iii) HK\$5.7 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$0.2 per Share. Any additional proceeds received by us from the exercise of the Offer Size Adjustment Option will also be allocated to the above business objectives and future plans on a pro-rata basis.

We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the new Shares together with any applicable fees relating to the Share Offer.

To the extent that the net proceeds are not immediately applied for the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term deposits with authorised financial institutions and/or licensed banks in Hong Kong.

We will issue an appropriate announcement if there is any material change in the aforementioned use of proceeds.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board of Directors consists of two executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and conduct of the business of our Group. The table below sets forth certain information in respect of the members of the Board of Directors of the Company.

#### Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Present Position	Roles and Responsibilities	Relationship with other Directors and senior management
<b>Executive Directors</b>						
Mr. LI Shing Kuen, Alexander (李誠權)	56	30 June 1985	25 August 2016	Executive Director, chairman of our Board, chief executive officer, chairman of our nomination committee and risk management committee	Strategic planning and overall management of business operations and development of our Group	Nil
Mr. POON Kwok Kay (潘國基)	45	1 April 2014	7 October 2016	Executive Director and member of our risk management committee	Overseeing the daily operations of our Group and overall management of the Group's business operations and development	Nil
<b>Non-executive Director</b>						
Mr. CHEUNG Wai Hung (張偉雄)	45	7 October 2016	7 October 2016	Non-executive Director	Assisting our Board in formulating overall corporate strategies	Nil
<b>Independent non-executive Directors</b>						
Mr. PUN Kin Wa (潘建華)	54	27 March 2017	27 March 2017	Independent non-executive Director, chairman of our audit committee and member of our remuneration committee	Providing independent judgment to our Board	Nil
Mr. TSANG Man Biu (曾文彪)	54	27 March 2017	27 March 2017	Independent non-executive Director, chairman of our remuneration committee and member of our audit committee and nomination committee	Providing independent judgment to our Board	Nil
Mr. LEE Kwok Tung Louis (李國棟)	49	27 March 2017	27 March 2017	Independent non-executive Director, member of our audit committee, remuneration committee and nomination committee	Providing independent judgment to our Board	Nil

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. LI Shing Kuen Alexander** (李誠權), aged 56, is an executive Director, chairman of our Board and our chief executive officer. Mr. Li is responsible for the strategic planning and overall management of business operations and development of our Group. Mr. Li founded our Group when he acquired Windmill Engineering on 30 June 1985. Mr. Li was appointed as a Director on 25 August 2016, and re-designated as an executive Director and appointed as chairman of the Board on 29 November 2016. He is also the sole director of Success Chariot and Windmill Engineering.

Mr. Li graduated from the Institution of Fire Engineers in July 1988. Prior to joining our Group, Mr. Li had served an apprenticeship as an electrical fitter from August 1977 to August 1980 and had been awarded a certificate of completion of apprenticeship by Hong Kong Electric Company Limited. From October 1980 to November 1980, he worked as an electrician on probation in the scientific and technical services department of CLP Power HK Limited. From December 1980 to November 1982, he worked as a technician in the operations engineering department of MTR Corporation Limited. Mr. Li has over 30 years of managerial experience in the fire services installation and maintenance industry gained from managing and developing our Group's business. He oversees the project planning, project management and execution of our fire services installation and maintenance projects, directs our business development and acts as a representative in our Group's communications with industry associations, key customers, government representatives and regulatory agencies. Mr. Li is an electrical worker (Grade B) registered with the Electrical and Mechanical Services Department (EMSD). He was appointed as the Chairman of District Fire Safety Committee (Wan Chai District) of the Home Affairs Department from 2010 to 2013 and a non-official member of the Advisory Committee under the Fire Safety (Buildings) Ordinance (Chapter 572 of the Laws of Hong Kong) appointed by the Director of Fire Services from 2011 to 2017. Mr. Li is a member of the General Committee of the Business Enterprise Management Centre, the Hong Kong Management Association and Friends of Bauhinia, the Bauhinia Foundation Research Centre.

Mr. Li was awarded the Chief Executive's Commendation for Community Service in 2007 and the Medal of Honour (MH) by The Chief Executive of the HKSAR in 2012 for his outstanding and dedicated community service in Wan Chai District. Mr. Li has been appointed as the Chairman of the District Fight Crime Committee (Wan Chai District) of the Home Affairs Department since 2014.

Mr. Li is a Controlling Shareholder and the sole shareholder and sole director of Golden Page, a Controlling Shareholder.

Mr. Li had been a director of Painting International Beauty (Central) Limited (娉婷國際(中環)有限公司) ("PIBL"), a private company incorporated in Hong Kong on 31 January 2000 which was dissolved by compulsory winding up on 21 July 2010. Mr. Li was a director of PIBL at the time of its dissolution. Mr. Li confirmed that, according to the best of his knowledge, information and belief, PIBL had been engaged in the operation of beauty salon business in Hong Kong. Upon the petition of King Honor Investment Limited filed at the High Court of Hong Kong on 3 June 2008 ("Petition"), it was ordered by Master Ho of the High Court in court that PIBL be wound up by the Court of First Instance of the High Court under the provisions of the Predecessor Companies Ordinance and a provisional liquidator was appointed for the purpose of winding up of PIBL. By an order made by Master Hui of the High Court in chambers dated 21 July 2010, PIBL was dissolved from 21 July 2010. According to the Petition, PIBL was unable to pay a debt owing to the petitioning creditor, King Honor Investment

## DIRECTORS AND SENIOR MANAGEMENT

Limited, in the total sum of approximately HK\$1.25 million being the outstanding mesne profits, management fees, water charges, extra air-conditioning charges and rates under a tenancy agreement entered into between PIBL as the tenant and the petitioning creditor as the landlord.

In relation to the Petition, our Directors are of the view that Mr. Li is suitable to act as a Director due to the following reasons: (a) although Mr. Li was one of the four directors of PIBL, he did not have any expertise in beauty salon business and was not involved in the day-to-day management and business operations of PIBL, and he suffered loss from his investment in PIBL as a passive investor; (b) Mr. Li has not been disqualified from acting as a director; (c) the Petition brought did not involve any act of dishonesty, fraud, or wrongful act committed on his part leading to the Petition or raise any concern on the integrity of Mr. Li; (d) he attended a directors training course provided by our legal advisers as to Hong Kong law relating to the responsibility as a director and continuing obligations of a director of listed companies, and attended a test provided by the Sole Sponsor demonstrating his understanding of the laws and regulations applicable to companies listed in Hong Kong and their directors. Taking into account the foregoing and his biography including his extensive experience in the industry, being a non-official member of the Advisory Committee under the Fire Safety (Building) Ordinance and a member of business related committees, the Sole Sponsor is satisfied that Mr. Li has the character, experience, integrity and the level of competence required of as a director under Rules 5.01 and 5.02 of the GEM Listing Rules and is suitable to act as our Director.

**Mr. POON Kwok Kay (潘國基)**, aged 45, is an executive Director and is principally responsible for overseeing the daily operations of the Group and overall management of the Group's business operations and development. Mr. Poon joined our Group as a Senior Business Development Manager since April 2014 and was appointed as a Director on 7 October 2016, and re-designated as an executive Director on 29 November 2016.

Mr. Poon graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a Higher Certificate in Mechanical Engineering in November 1993. Mr. Poon has over 20 years of managerial experience in the fire engineering services field, specialising in tender estimation, managing client relationship and products promotion. Prior to joining our Group, Mr. Poon had worked at Thorn Security (Hong Kong) Limited between 1995 and 2013 and his last position held was sales manager, during which he was responsible for supervising the sales team, promoting fire safety products and developing business opportunities. He is also a majority shareholder and director of Tradetech Supplies Limited, one of our suppliers since December 2015. Please see the section "Connected Transactions" in this prospectus for details of the transactions between our Group and Tradetech Supplies Limited.

### Non-executive Director

**Mr. CHEUNG Wai Hung (張偉雄)**, aged 45, is a non-executive Director. Mr. Cheung was appointed as a Director on 7 October 2016 and was re-designated as our non-executive Director on 29 November 2016. Mr. Cheung is one of the members of our Board to assist in formulating our overall corporate strategies and does not participate in the day-to-day management of our Group. Mr. Cheung was nominated by the Pre-IPO Investor to be appointed to our Board pursuant to the terms of the Subscription Agreement and Shareholders Agreement, but the Director nomination right of the Pre-IPO Investor will cease upon Listing and Mr. Cheung will be subject to the retirement and rotation requirements under the Articles of Association and the GEM Listing Rules.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung graduated from the University of Sydney, Australia with a Bachelor of Economics degree in June 1993. Mr. Cheung has over 20 years of managerial experience in direct investment, private equity, fund management, mergers and acquisitions, real estate portfolio management and finance, covering both Hong Kong and China markets. Mr. Cheung was certified as a Chartered Financial Analyst by the CFA Institute, Virginia in September 2004. He has been a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since January 1997.

Mr. Cheung is a Founding Member of Opus Financial Group, a specialised niche financial group focusing on corporate finance, management, mezzanine financing and principal investment. Prior to founding Opus Financial Group, Mr. Cheung served in various positions in several international and local companies, which include (i) Teamtop Investment Co. Ltd, a wholly-owned subsidiary of Shanghai State-owned Assets Operation Co. Ltd, (ii) Dresdner Bank Group, (iii) Thornton Asset Management and (iv) Kwan Wong Tan & Fong, Certified Public Accountants between 1993 and 2006. Mr. Cheung has been the Senior Investment Manager and the Senior Investment Director of Orion Partners between 2006 and 2014, a private equity firm with assets under management of over US\$1.3 billion (formerly known as Ajia Partners). Mr. Cheung is a director of the Pre-IPO Investor. Upon Listing, the Pre-IPO Investor is a substantial shareholder of our Company under the GEM Listing Rules.

### Independent non-executive Directors

**Mr. PUN Kin Wa (潘建華)**, aged 54, was appointed as an independent non-executive Director on 27 March 2017. Mr. Pun graduated from The University of Hong Kong with a Bachelor of Social Sciences degree with a major in Management Studies in November 1984 and obtained a Master of Science in Electronic Commerce and Internet Computing degree in December 2003. Mr. Pun has been a member of the Hong Kong Institute of Certified Public Accountants since February 1988.

Mr. Pun has over 30 years of experience in auditing, advising on financial investments and managing operations of various financial institutions. He started working as an Audit Assistant of Peat Marwick International from 1984 to 1986. He was an Assistant Manager of International Bank of Asia Limited from 1986 to 1987 and Citicorp Scrimgeour Vickers Hong Kong Limited from 1987 to 1989. From 1989 to 1997, Mr. Pun worked at Morgan Stanley Asia Limited and his last position held was vice president, during which he took on major management tasks in regional expansion. Between 1997 and 2003, Mr. Pun served as the Chief Financial Officer and a director of KG Investments Holdings Limited, a holding company of a financial group engaging in the provision of financial services and investment products. Between 2003 and 2006, Mr. Pun served as the responsible officer or licensed representative for various companies, which include KGI Asia Limited, Sage Asset Management (HK) Limited and Pine Street Partners Limited. Between 2006 and 2008, Mr. Pun served as a director of Sage Capital Limited. Mr. Pun has been the chief advisor of KGI Asia Limited, a regional financial services group in Hong Kong, since 2008.

From 2006 to 2015, Mr. Pun served as a non-executive director of Advanced Engine Components Limited (now known as Ookami Limited), a company listed on the Australian Securities Exchange.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Pun had been a director of Long Peak Limited, a private company incorporated in Hong Kong, which was dissolved by striking off on 11 October 2002 pursuant to section 291 of the Predecessor Companies Ordinance. Prior to its dissolution, Long Peak Limited had never commenced any business operation and it was struck off for not carrying on business or in operation pursuant to section 291 of the abovementioned ordinance. As confirmed by Mr. Pun, Long Peak Limited was dormant and solvent at the time of it being struck off and its dissolution has not resulted in any liability or obligation imposed against Mr. Pun.

**Mr. TSANG Man Biu (曾文彪)**, aged 54, was appointed as an independent non-executive Director on 27 March 2017. Mr. Tsang graduated from The University of Hong Kong with a Bachelor of Arts degree in Architectural Studies in November 1985 and a Bachelor of Architecture degree in November 1987. Mr. Tsang has over 29 years of experience in the architectural service industry, focusing on architectural design for new buildings, large scale alteration projects, statutory submissions, building contract administration, interior fitting out design and building works supervision in Hong Kong.

Mr. Tsang has been a Registered Architect in Hong Kong since January 1991 and an Authorised Person (List of Architects) under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since March 1990. He was qualified as Class 1 Registered Architect in the PRC in August 2004 and as an ISO 9001:2000 and ISO 9001:2002 series Lead Auditor since April 2006. He was accredited as a BEAM Professional by the Hong Kong Green Building Council Limited in September 2014. He has been a member of the Hong Kong Institute of Architects since December 1989 and an associate member of the Hong Kong Institute of Arbitrators since April 2001. Mr. Tsang passed the Guangdong Province Building Code Examination in October 2011.

Mr. Tsang acquired TMB Architects Ltd (formerly known as City Resources Development Limited) in December 1992 and he has been serving as its director in the architectural practice since then. Mr. Tsang has gained extensive project experience from acting as an Architect and an Authorised Person for numerous development projects and renovation projects in Hong Kong.

Mr. Tsang has been the professional advisor to seven Hong Kong and international design competitions held by the Housing Department, Water Supplies Department, Architectural Services Department and Civil Engineering Development Department. Mr. Tsang is currently a convener of Panel of Advisers on Building Management Disputes and a member of Wan Chai District Fight Crime Committee. He was appointed a member of the Town Planning Appeal Boards and the Appeal Tribunal Panel under the Buildings Ordinance, the Authorized Persons Registration Committee Panel, the Contractors Registration Committee Panel and the School Management Committee of King's College. He was a director of Pok Oi Hospital for the years of 1998 and 1999.

**Mr. LEE Kwok Tung Louis (李國棟)**, aged 49, was appointed as an independent non-executive Director on 27 March 2017. Mr. Lee graduated from Macquarie University, Australia with a Bachelor of Economics degree in April 1993. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since October 1999 and a certified practicing accountant of the CPA Australia since June 1996.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee has over 24 years of experience with unlisted groups, listed groups and professional firms in finance, accounting and auditing since 1993. Prior to joining our Group, Mr. Lee worked at Deloitte Touche Tohmatsu, an international CPA firm from 1993 to 1999 and his last position held was senior accountant. He worked at Bright & Shine Corporate Finance Limited from October 1999 to May 2003 and his last position held was director. Mr. Lee worked at Deloitte Touche Tohmatsu between May 2003 and June 2008 and his last position held was senior manager. From July 2008 to June 2010, Mr. Lee worked at Meadville Holdings Limited, a company formerly listed on the Main Board of the Stock Exchange that was privatised and voluntarily delisted in 2010, and his last position held was vice president of finance. Mr. Lee has been the financial controller of Lung Ming Mining Co. Limited since September 2010.

Mr. Lee is currently an independent non-executive director of three listed companies, namely CGN Mining Company Limited (stock code: 01164), Zhong Ao Home Group Limited (stock code: 01538) and Worldgate Global Logistics Limited (stock code: 08292), which are listed on the Stock Exchange. He was an independent non-executive director of Winto Group (Holdings) Limited (stock code: 08238), a company listed on the Stock Exchange, from January 2015 to May 2016.

Save as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save for Mr. Li's (including his deemed interests) interests in the Shares which are disclosed in the section headed "Substantial Shareholders" and the subsection headed "Statutory and General Information — C. Further Information about Directors, Substantial Shareholders and Experts — 1. Disclosure of Interests — (a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations" in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters relating to the appointment of our Directors that need to be brought to the attention of our Shareholders, nor is there any other information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.



## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Date of joining our Group	Date of appointment to present position	Position	Roles and Responsibilities	Relationship with other Directors and senior management
YIM Ping Kuen (嚴炳權)	54	September 2016	September 2016	Financial Controller	financial reporting and planning, treasury and financial control	Nil
LAM Tai Ming (林泰銘)	47	January 1995	April 2014	Senior Project Manager	project execution including site supervisory and liaison work	Nil
SIN Kam Hung (冼錦雄)	48	June 2014	June 2014	Project Manager	project execution including site supervisory and liaison work	Nil
TANG Wai Yin (鄧偉賢)	44	March 2016	March 2016	Project Manager	project execution including site supervisory and liaison work	Nil
LEUNG Wan Yi (梁尹儀)	49	October 1986	November 2016	Administration Manager	overseeing daily support operations and performing administrative duties	Nil

**Mr. YIM Ping Kuen (嚴炳權)**, aged 54, joined our Group as our financial controller in September 2016. Mr. Yim is a full-time employee of our Group as our financial controller since September 2016 pursuant to an employment contract entered into between Mr. Yim and our Group. He is primarily responsible for financial reporting and planning, treasury and financial control. Mr. Yim is a fellow member of the Association of Chartered Certified Accountants since November 1995 and is currently a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. Yim graduated from The University of Hong Kong with a bachelor's degree of Social Sciences in November 1986 and The Hong Kong Polytechnic University with a master's degree of Corporate Finance in November 2003. He has over 30 years of work experience in accounting and setting up financial operations for various companies. Mr. Yim had been the financial controller, company secretary and chief financial officer for various international companies in different industries including listed companies in Hong Kong and Singapore, which include Afasia Group from August 1986 to March 1999, SinoCloud Group Limited, formerly Armarda Group Limited, a company listed on SESDAQ of the Singapore Exchange from July 2003 to August 2004 and Wanji Pharmaceutical Holdings Limited, a company listed on the Stock Exchange (stock code: 835) between September 2004 and November 2005. Mr. Yim is one of the directors of Centalent CPA Limited, a CPA firm providing audit, taxation and accounting services to SMEs in various industries (formerly practising as Lau, Yim, Chiu and Co.) since April 1999. Mr. Yim had been an independent non-executive director of Glorious Property Holdings Limited, a company listed on the Stock Exchange (stock code: 845) from October 2009 to May 2014.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Yim's major roles in Centalent CPA Limited include overseeing the quality of auditing practices and monitoring compliance with relevant accounting and auditing standards, which only consumes Mr. Yim minimal amount of time. Mr. Yim confirms that his acting as one of the directors of Centalent CPA Limited will not affect him in performing his responsibilities in our Group as our financial controller and full-time employee, as his responsibilities in Centalent CPA Limited are shared by his business partner and supported by other professional staff of Centalent CPA Limited. In view of the aforesaid and that Mr. Yim is employed by our Group as a full-time employee, our Directors and the Sole Sponsor consider that Mr. Yim will be able to devote sufficient time to discharge his responsibilities in our Group.

**Mr. LAM Tai Ming (林泰銘)**, aged 47, has been a senior project manager of our Group since April 2014. Mr. Lam is primarily responsible for project execution which includes site supervision, and liaison with customers and relevant site agents, etc.

Mr. Lam has over 20 years of experience in the fire engineering field. Mr. Lam joined our Group in January 1995 as an assistant engineer and he was promoted to his current position in April 2014. Mr. Lam obtained from the Vocational Training Council an Ordinary Certificate in Electrical Engineering in September 1999 and a Higher Certificate in Building Services Engineering in July 2005. Mr. Lam is a holder of the Certificate for Safety and Health Supervisor (Construction) awarded by the Occupational Safety & Health Council in November 1999. He is a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department since June 2012, an electrical worker (Grade B) registered with the Electrical and Mechanical Services Department (EMSD). Mr. Lam received from the Labour Department an Attendance Certificate in legal requirements of working in confined space in August 1996 and an Attendance Certificate in construction sites safety regulations in November 1996.

**Mr. SIN Kam Hung (冼錦雄)**, aged 48, has been a project manager of our Group since June 2014. Mr. Sin is primarily responsible for project execution which includes site supervisory, liaison with customers and relevant site agents. Mr. Sin obtained a Higher Certificate in Building Services Engineering from the Vocational Training Council in July 2001. He is an electrical worker (Grade H) registered with the Electrical and Mechanical Services Department (EMSD).

Mr. Sin has over 20 years of experience in fire engineering field. Mr. Sin joined our Group in June 1989 as a technician and he was promoted to project engineer in 1995. Mr. Sin had left our Group in December 2001 and worked for Guardian Property Management Limited as a technical supervisor from February 2002 to October 2005 and The Hong Kong Jockey Club as a technical services engineer from November 2005 to May 2014.

**Mr. TANG Wai Yin (鄧偉賢)**, aged 44, has been a project manager of our Group since March 2016. Mr. Tang is primarily responsible for project execution which includes site supervision, and liaison with customers and relevant site agents.

Mr. Tang graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a Higher Certificate in Mechanical Engineering in November 1993. Mr. Tang has over 15 years of experience in the fire engineering field. Mr. Tang is a holder of the Construction Industry Safety Training Certificate. Mr. Tang joined our Group in February 1996 as a project engineer and was responsible for handling various systems of fire services installation, site supervision, design, testing and commissioning. Mr. Tang left our Group in August 2007 and worked for Thorn Security (Hong Kong)

## DIRECTORS AND SENIOR MANAGEMENT

Limited as project engineer and senior project engineer from September 2008 to September 2013. Mr. Tang was our project manager from October 2013 to 2014. He worked for Tyco Fire, Security & Services (Macau) Limited as an assistant project manager from May 2014 to December 2015.

**Ms. LEUNG Wan Yi (梁尹儀)**, aged 49, has been an administration manager of our Group since November 2016. Ms. Leung is primarily responsible for overseeing daily support operations and performing administrative duties. She joined our Group in October 1986 as a junior accounts clerk and was promoted to accounts clerk in February 1989. She was our account manager from January 2012 to October 2016.

Ms. Leung completed a 9-month full-time business secretarial studies course and received a diploma in business secretarial studies from the Professional & Business Youth Department of the Hong Kong Young Women's Christian Association in May 1986. She attended a higher accounting course organised by Caritas Adult Educational Centre from July 1986 to January 1987. She obtained a Certificate of Internal QMS Auditor from SGS United Kingdom Limited in April 2003 and a Certificate of Achievement — Integrated Management System: Internal Auditor for ISO 9001, ISO 14001 and OHSAS 18001 from SGS Hong Kong Limited in July 2012.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, none of the above members of senior management has been a director of any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

### COMPANY SECRETARY

**Ms. HO Wing Yan (何詠欣)**, aged 35, was appointed as our company secretary on 29 November 2016. She is responsible for corporate secretarial duties and corporate governance matters in relation to the Company. Ms. Ho has more than 10 years of experience in the corporate secretarial field. She is currently a director of BMI Listed Corporate Services Limited. Prior to joining BMI Listed Corporate Services Limited in July 2009, she was a company secretary with Kaizen Corporate Services Limited from March 2006 to March 2007. She worked for Climax Management Company Limited as a company secretarial officer under Company Secretarial Department from September 2007 to April 2009.

Ms. Ho obtained a Bachelor's degree in Business Administration (Applied Economics) from Hong Kong Baptist University in November 2004 and a Master of Corporate Governance degree from The Open University of Hong Kong in June 2009. She was admitted to Graduateship of the Institute of Chartered Secretaries and Administrators in August 2009 and was an elected Associate of The Institute of Chartered Secretaries and Administrators in November 2009. She is a Chartered Secretary and was admitted as an Associate of The Hong Kong Institute of Chartered Secretaries (“HKICS”) in November 2009. She is a holder of the Practitioner's Endorsement from HKICS, obtained in July 2016. Ms. Ho is also currently the company secretary of 10 companies listed on the Stock Exchange and she is also a non-executive director of a company listed on the Stock Exchange.

Ms. Ho does not act as our full-time employee but she has been appointed as our company secretary pursuant to our engagement of an external company secretarial services provider, BMI Listed Corporate Services Limited, to provide company secretarial services to us. Ms. Ho's major roles in BMI Listed Corporate Services Limited include advising its board of directors on corporate governance matters and facilitating the induction and professional development of directors. As Ms. Ho is supported

## DIRECTORS AND SENIOR MANAGEMENT

by different designated teams of professional staff within BMI Listed Corporate Services Limited, she is confident that she is able to allocate sufficient time and has professional resources to perform her role as the company secretary of our Company. In view of the aforesaid, our Directors and the Sole Sponsor both concur with the view of Ms. Ho that despite Ms. Ho is not our employee, she is able to allocate sufficient time and has professional resources to perform her role as the company secretary of our Company.

### COMPLIANCE OFFICER

**Mr. LI Shing Kuen Alexander (李誠權)**, aged 56, has been appointed as the compliance officer of our Company. His biography is set out in the paragraph under “Board of Directors — Executive Directors” in this section.

### BOARD COMMITTEES

#### Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (“**Corporate Governance Code**”). The audit committee consists of three independent non-executive Directors, namely Mr. Pun Kin Wa, Mr. Tsang Man Biu and Mr. Lee Kwok Tung Louis. Mr. Pun Kin Wa, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, serves as the chairman of the audit committee. The primary duties of the audit committee are, without limitation, to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing audit process and performing other duties and responsibilities as assigned by the Board.

#### Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The remuneration committee consists of three independent non-executive Directors, namely Mr. Tsang Man Biu, Mr. Pun Kin Wa and Mr. Lee Kwok Tung Louis. Mr. Tsang Man Biu serves as the chairman of the remuneration committee. The primary duties of the remuneration committee include without limitation making recommendations to the Board on policy and structure for the remuneration package of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration, reviewing and making recommendations to the Board on performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

#### Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code.

## DIRECTORS AND SENIOR MANAGEMENT

The nomination committee consists of two independent non-executive Directors, namely Mr. Tsang Man Biu and Mr. Lee Kwok Tung Louis and Mr. Li, an executive Director and chairman of our Board. Mr. Li serves as the chairman of the nomination committee. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

### **Risk management committee**

Our Company has established a risk management committee with written terms of reference in accordance with provision D.2 of the Corporate Governance Code. The risk management committee consists of two executive Directors, namely Mr. Li and Mr. Poon. Mr. Li serves as the chairman of the risk management committee. The primary duties of our risk management committee are to (i) advise our Board on risk-related issues; (ii) oversee the risk management framework to identify and deal with the risks faced by our Group such as business and financial risks; (iii) review reports on risks and breaches of risk policies; and (iv) review the effectiveness of our Company's risk control and/or mitigation plans.

### **Corporate governance functions**

For the purpose of performing the corporate governance functions in accordance with provision D.3 of the Corporate Governance Code, our Board has adopted written terms of reference in accordance with provision D.2 of the Corporate Governance Code which provide for, among others, (i) developing and reviewing our Group's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of our Directors and senior management; (iii) reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and our Directors; and (v) reviewing our Company's compliance with the Corporate Governance Code and disclosure in the annual reports of our Company.

### **COMPLIANCE ADVISER**

We have agreed to appoint Dakin Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon Listing pursuant to Rule 6A.19 of the GEM Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable Hong Kong laws. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

## **DIRECTORS AND SENIOR MANAGEMENT**

- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of the Shares or any other matters in accordance with Rule 17.11 of the GEM Listing Rules.

The term of the appointment of the Compliance Advisor will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

### **Deviation from provision of the Corporate Governance Code**

Provision A.2.1 of the Corporate Governance Code states that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li is the Chairman of our Board and our chief executive officer. Given that Mr. Li has been leading the operations and management of our Group since 1985 when our Group was founded by him and taking into consideration our current scale of operations and management structure, our Board believes that it is more appropriate to have Mr. Li performing both functions of our chief executive officer and leader of our Board for more efficient management and strategic planning of our Group. Therefore, our Board considers that the deviation from provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances and currently does not propose to separate the functions of Chairman and chief executive officer.

As of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, except for the deviation from provision A.2.1 of the Corporate Governance Code mentioned above, our Directors do not expect there will be any deviation from the provisions of the Corporate Governance Code under Appendix 15 to the GEM Listing Rules upon Listing.

## **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

### **Remuneration of our Directors and senior management**

The compensation packages of our executive Directors and senior management comprise basic salaries and commissions based on business performance (for executive Directors only) and discretionary bonuses determined by our Group. They are also entitled to medical insurance provided by our Group. Our Group determines the compensation packages of our executive Directors and senior management by reference to, among other things, their qualifications, experience, duties and responsibilities with our Group, prevailing market rates and performance of our Group. After Listing, the remuneration committee of our Company will review annually and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management with reference to the factors mentioned above.

For each of the two financial years ended 30 April 2016 and the five months ended 30 September 2016, the aggregate remuneration (including fees, salaries, contribution to defined contribution benefit plans and performance bonuses) paid to our Directors were approximately HK\$1,650,000, HK\$1,855,000 and HK\$683,000, respectively.

## DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently in force and pursuant to the Directors' service agreements and letters of appointment of our Directors, the aggregate remuneration (including commission and discretionary bonus) payable to our Directors for the financial year ending 30 April 2017 are estimated to be approximately HK\$1.8 million. For more particulars of the Director's service agreements and letters of appointment of our Directors, please refer to "Statutory and General Information — C. Further Information about Directors, Substantial Shareholders and Experts — 2. Particulars of Directors' service agreements" in Appendix IV to this prospectus.

Details of our Directors' remuneration are set out in note 14 to the Accountants' Report as set out in Appendix I to this prospectus.

For each of the two financial years ended 30 April 2016 and the five months ended 30 September 2016, the aggregate remuneration (including fees, salaries, contribution to defined contribution benefit plans and performance bonuses) paid to the five highest paid individuals, excluding our Directors were in aggregate approximately HK\$1,595,000, HK\$1,726,000 and HK\$852,000 respectively.

The five highest paid individuals of our Group consist of two Directors and three senior management, details of which are set out in notes 14 (in respect of emoluments of each of our Directors) and 15 (in respect of the remaining three highest paid individuals) to the Accountants' Report as set out in Appendix I to this prospectus.

During the Track Record Period, save for HK\$60,000 paid to one of the five highest paid individuals who is not a Director or director of any member of our Group for the year ended 30 April 2015 for inducement of that individual to join our Group, our Group did not pay any remuneration to our Directors or senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group and none of our Directors or senior management has waived or agreed to waive any remuneration during the Track Record Period. Save as disclosed in this paragraph under the heading of "Remuneration of our Directors and senior management" in this section, in the subsection headed "Statutory and General Information — C. Further Information about Directors, Substantial Shareholders and Experts — 3. Remuneration of Directors" in Appendix IV to this prospectus and in notes 14 and 15 to the Accountants' Report as set out in Appendix I to this prospectus, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, senior management and the five highest paid individuals during the Track Record Period.

### **Share Option Scheme**

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of the Shareholders passed on 27 March 2017. The rules of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Please see the subsection headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus for details.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer, Mr. Li and Golden Page together will hold approximately 52.51% of our Company's entire issued share capital (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme). Golden Page is legally and beneficially wholly-owned by Mr. Li. As Golden Page and Mr. Li together are directly and indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company and will continue to be so immediately following the completion of the Capitalisation Issue and the Share Offer, Golden Page and Mr. Li are regarded as our Controlling Shareholders under the GEM Listing Rules. For details regarding the shareholding interest of the Controlling Shareholders, please see the section headed "Substantial Shareholders" in this prospectus.

Our Controlling Shareholders have confirmed that none of them nor their respective associates is interested in any business which competes or is likely to compete, directly or indirectly, with the business of our Group. One of our Controlling Shareholders, Mr. Li, is an executive Director, chairman of our Board and chief executive officer of our Company and also the sole director of Success Chariot and Windmill Engineering. For further details about Mr. Li's roles in our Group, please see the section headed "Directors and Senior Management" in this prospectus. Golden Page is an investment holding company incorporated in the BVI.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors consider that our Group is capable of carrying on its business independently from the Controlling Shareholders and their respective associates after Listing for the following reasons:

#### **Management independence**

Our management and operational decisions are made by our Board and our senior management team. Our Board comprises two executive Directors, a non-executive Director and three independent non-executive Directors. Despite that Mr. Li, an executive Director, chairman of our Board and our chief executive officer and sole director of Success Chariot and Windmill Engineering, is also a Controlling Shareholder and sole shareholder of Golden Page, we consider that our Board and our senior management team will function independently from our Controlling Shareholders for the following reasons:

- (a) Golden Page is an investment holding company. Other than the interest in our Company, Golden Page does not have any other business. The time required for Mr. Li to attend the affairs of Golden Page is therefore limited;
- (b) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he or she acts for the benefit and in the best interests of our Company;
- (c) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any proposed transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, or due to the dual



## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

positions of our Director(s) acting as director of our Company and another company involved in the proposed transaction or arrangement, pursuant to the relevant provisions of the Articles, our Director(s) shall fully disclose such matters to the Board and abstain from voting on the relevant resolution(s) in respect of such transactions and shall not be counted in the quorum for any Board meeting approving such transactions. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the subsection headed “Corporate Governance Measures” in this section;

- (d) all our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry we are engaged in and have served our Group for a period of time, during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders. Please see the section headed “Directors and Senior Management” for details of our senior management;
- (e) our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board; and
- (f) our Group holds the relevant licences and employs employees who hold the relevant licences necessary for operating our business and does not rely on any licence held by our Controlling Shareholders for operating our business. Our employees who hold certain relevant licences for our carrying on of certain aspects of our business operations are Independent Third Parties and our Directors confirm that our Group should be able to find replacements for such employees holding the relevant licences with other licence holders on the market who are Independent Third Parties without difficulty, if necessary. Please see the section headed “Business” in this prospectus for details of these licences.

Based on the reasons mentioned above, our Directors are of the view that our Board as a whole, together with our senior management, are capable of managing our business independent of our Controlling Shareholders and their close associates.

### **Operational independence**

Our Group has established our own independent organisational structure comprised of separate individual departments, each with specific areas of responsibilities. We have our own independent management team and staff to handle our day-to-day operations, including project management and execution, finance and accounting, administration and human resources functions. During the Track Record Period, our Group was operationally and administratively independent of our Controlling Shareholders and their associates as we have our own operational and administrative personnel and we do not share any operational resources with our Controlling Shareholders and/or their close associates.

As at the Latest Practicable Date, our Group had certain continuing connected transactions, details of which are disclosed in the section headed “Continuing connected transactions” in this prospectus, with one of our suppliers which is a company held as to 70% shareholding interest by Mr. Poon, an executive Director, but none of our Controlling Shareholders held any interest in

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

such supplier. As at the Latest Practicable Date, our Group does not intend to enter into any connected transaction or continuing connected transaction with our Controlling Shareholders which will continue after Listing. In the event our Group does enter into any connected transactions or continuing connected transactions after Listing, such transactions will only be entered into or conducted on normal commercial terms or better terms to our Group and on terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole and we will then also comply with all the applicable requirements under the GEM Listing Rules in relation to connected transactions and/or (as the case may be) continuing connected transactions.

Based on the above reasons, our Board believes that we have been operating independently from our Controlling Shareholders and their associates and will continue to do so after the Listing.

### **Financial independence**

We have an independent financial system and make financial decisions according to our own business needs. We have established our own internal control and accounting systems and accounting and finance department to perform independent treasury function for cash receipts and payments, independent accounting and reporting functions and independent internal control functions.

During the Track Record Period, certain of the bank facilities granted to and utilised by our Group in its ordinary and usual course of business were secured by personal guarantees given by Mr. Li and a mortgage executed by Mr. Li over a residential property solely and beneficially owned by Mr. Li as collateral security to one of the relevant banks. As at the Latest Practicable Date, the total amount of unutilised bank facilities amounted to approximately HK\$15.4 million and outstanding bank borrowings amounted to approximately HK\$0.5 million, and we have obtained consent-in-principle from the relevant banks to release all such personal guarantees and collateral security upon Listing. Our Directors confirm that we will release all such personal guarantees and collateral security before Listing. As at the Latest Practicable Date, we did not have any outstanding loans or borrowings from any of our Controlling Shareholders or any of their respective associates. As such, we expect that our Group will have independent access to third party financing without relying on our Controlling Shareholders for financing or for providing guarantee or security for financing after the Listing and therefore our Directors consider that our Group is capable of operating independently from our Controlling Shareholders from the financial perspective.

### **NON-COMPETITION DEED**

In order to avoid any future competition between our Group and the Controlling Shareholders, our Controlling Shareholders as covenators (collectively, the “**Covenantors**”) have executed the Deed of Non-Competition with our Company (for itself and as trustee for its subsidiaries) on 27 March 2017. Pursuant to the Deed of Non-Competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, subject to the exceptions below, during the period that the Deed of Non-Competition remains effective, he/it shall not, and shall procure that his/its close associates and entities or companies controlled by them (other than any members of our Group) will not, during the term of the Deed of Non-Competition, directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person, firm or company, whether for profit, reward or otherwise, (i) carry on, participate in, be interested or engaged

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

in, or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise) directly or indirectly in any business which is or likely to be in competition with the business currently and from time to time engaged by our Group (“**Restricted Business**”) in Hong Kong and any other country or jurisdiction in which any member of our Group provides such services and/or in which any member of our Group carries on its business currently and from time to time (“**Territory**”) unless and until none of the members of the Group is carrying on or engaged in such business in that country or jurisdiction; (ii) solicit, interfere with or endeavour to entice away from any member of our Group any person, firm, company or organisation who to his/its knowledge is now or has been a customer, supplier or employee of any member of our Group in the past twelve months before such proposed engagement or employment and (iii) without the consent of our Company, make use of any information pertaining to the business of our Group which have or may have come to his/its knowledge in his/its capacity as a Controlling Shareholder and/or Director for any purpose of his/its engaging, investing or participating in any Restricted Business in the Territory.

Each of the Covenantors further undertakes that if he/it or his/its close associates or entities or companies controlled by them other than any members of our Group is offered or becomes aware of any business opportunity which may be a Restricted Business (“**Relevant Business Opportunity**”), he/it shall (and he/it shall procure his/its close associates to) notify our Company in writing to provide all relevant information in respect of such Relevant Business Opportunity to enable our Board to assess such Relevant Business Opportunity, and our Company shall have a right of first refusal to take up such Relevant Business Opportunity via any member of our Group (“**Right of First Refusal**”). Our Company shall, within two months after receipt of the written notice (or such longer period if our Company is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantors whether our Company will exercise the Right of First Refusal or not. If our Company exercises the Right of First Refusal, the Covenantors shall assist our Group in obtaining such Relevant Business Opportunity on the terms being offered to the Covenantors or better terms acceptable to our Company.

Our Company shall only exercise the Right of First Refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such Relevant Business Opportunity), and where required under the GEM Listing Rules, our independent Shareholders. The relevant Covenantor(s) who is/are Director(s) and any other interested Directors (if any) shall abstain from voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest (including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the Right of First Refusal).

Notwithstanding the undertakings as stated above, nothing shall restrict the Covenantors and his/its respective close associates from:

- (i) investing, participating or engaging in or carrying on any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof have been disclosed to our Company and our Directors, and our Company shall have, after review (taking into account whether the entering into of such project or business opportunity will be in the best interest of our Group) and approval by our Directors (including our independent non-executive Directors but without the attendance by any Director with beneficial interest in

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the independent non-executive Directors), confirmed its rejection in writing to be involved or engaged, or to participate, in or carry on the relevant Restricted Business and provided also that the principal terms under which that relevant close associate of the Covenantors invests, participates or engages, in or carries on the Restricted Business are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant close associate of the Covenantors decides to be involved, engaged, participate in or carry on the relevant Restricted Business, whether directly or indirectly, the terms of such involvement, engagement, participation or carrying on must be disclosed to our Company and our Directors as soon as practicable; and

- (ii) acquiring, holding or controlling the exercise of equity securities carrying voting rights less than 5% of the total issued share capital of a publicly listed company where a principal business or part of the businesses of such company or its subsidiary is the Restricted Business and provided that neither the Covenantor nor his/its close associates participates in the management of such company.

The Deed of Non-Competition is conditional upon the fulfilment of the following conditions:

- (i) the Listing Division granting the approval for the listing of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deed of Non-Competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-Competition.

The obligations of a Covenantor under the Deed of Non-Competition shall terminate when (i) the relevant Covenantor and, his/its close associates, individually or taken together, ceases to be interested in 30% (or such other percentage as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of our issued Shares; or (ii) our Shares ceases to be listed on the Stock Exchange (except for temporary trading halt or suspension of trading of our Shares on the Stock Exchange for any reason).

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest and to safeguard the interests of our Shareholders as a whole, our Company will implement the following measures:

- (a) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any proposed transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, or due to the dual positions of our Director(s) acting as director of our Company and another company involved in the proposed transaction or arrangement, pursuant to the relevant provisions of the Articles, our Director(s) shall fully disclose such matters to the Board and abstain from voting on the relevant resolution(s) in respect of such transactions and shall not be counted in the quorum for any Board meeting approving such transactions;
- (b) we have appointed three independent non-executive Directors to our Board to ensure there is sufficient independent element on our Board which can effectively exercise independent judgment in the decision-making process. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Please see the section headed “Director and Senior Management” in this prospectus for further details of our independent non-executive Directors;
- (c) our Controlling Shareholders have undertaken to make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-Competition for inclusion in the annual report of our Company;
- (d) our Controlling Shareholders have undertaken to provide all information requested by our Group and to allow our Directors, their respective representatives and the auditors of our Group to have reasonable access to their records which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (e) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-Competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-Competition; and
- (f) our Company has appointed Dakin Capital Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and internal controls. Please see the section headed “Directors and Senior Management — Compliance Adviser” in this prospectus for further details in relation to the appointment of our compliance adviser.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflicts of interest between our Controlling Shareholders and their respective close associates and our Group and to safeguard the interests of our Shareholders.

## CONNECTED TRANSACTIONS

### OVERVIEW

During the Track Record Period, our Group entered into certain transactions with one of our suppliers in our ordinary and usual course of business which are expected to continue and constitute continuing connected transactions (as defined under Chapter 20 of the GEM Listing Rules) of the Company upon the Listing.

### RELATIONSHIP BETWEEN THE GROUP AND THE CONNECTED PERSON

Tradetech Supplies Limited (“**Tradetech**”) is a company incorporated in Hong Kong and owned as to 70% by Mr. Poon, an executive Director, with the remaining 30% shareholding interest owned by an Independent Third Party. Therefore, Tradetech is an associate of Mr. Poon and hence is a connected person of our Company.

### MASTER SUPPLY AGREEMENT

During the Track Record Period, Tradetech supplied and sold certain branded fire services installation parts including valves, flexible and expansion joints (“**Supplied Products**”) to our Group. There was no long-term agreement between our Group and Tradetech and our Group placed purchase orders with Tradetech on separate occasions with relevant purchase price agreed between the parties after arm’s length negotiations from time to time.

On 29 November 2016, Windmill Engineering (for itself and other members of our Group) and Tradetech entered into a master supply agreement (“**Master Supply Agreement**”) with Tradetech, pursuant to which Tradetech agreed to sell and/or supply to Windmill Engineering and Windmill Engineering (for itself and other members of our Group) agreed to purchase on a non-exclusive basis the Supplied Products procured by Tradetech in accordance with the specifications provided by our Group, at the purchase price set out in each individual purchase order (“**Purchaser Order**”) as may from time to time be offered by our Group and accepted by Tradetech. The Supplied Products are all branded products with two out of the three brands in respect of which Tradetech is the sole distributor in Hong Kong.

The purchase price in each Purchase Order placed by our Group to Tradetech shall be determined after arm’s length negotiations between Tradetech and our Group from time to time with reference to the then prevailing market price of similar products in the market. Our Directors confirm that there is neither a government-prescribed price nor a government-guidance price for the Supplied Products or similar products. Before the placement of each Purchase Order, we would obtain quotations from two Independent Third Party suppliers of similar products and compare their quotations with the price quoted by Tradetech. We will not place the Purchase Order if we can purchase similar products from Independent Third Party suppliers at a lower price than products of Tradetech. Our Directors confirmed that the transactions with Tradetech during the Track Record Period were (i) conducted on normal commercial terms or better terms to our Group; (ii) carried out in our Group’s ordinary and usual course of business; and (iii) fair and reasonable, and in the interest of our Company and our Shareholders as a whole.

The terms of the Master Supply Agreement commenced on the Listing Date and will expire on 30 April 2019. Either party may terminate the Master Supply Agreement by serving a written notice of not less than three months to the other.

## **CONNECTED TRANSACTIONS**

### **Reasons for and benefits of entering into the Master Supply Agreement by the Company**

Tradetech had been supplying the Supplied Products to our Group since December 2015 for our Group's fire services installation business and fire services maintenance services. Taking into account (i) the products supplied by Tradetech in the past were of proven quality as they were branded products; (ii) the prices were reasonable compared to prevailing market prices; and (iii) our Group from time to time needs to use such branded products in our projects when our customers specify their preferences or requirements of using products of such brands, our Directors consider that the entering into of the Master Supply Agreement with Tradetech would allow our Group to maintain a stable supply of the Supplied Products which may from time to time be necessary for our business. Further, our Directors (including our independent non-executive Directors) confirmed that the terms of the Master Supply Agreement are fair and reasonable, on normal commercial terms or better terms to our Group and in the interest of our Company and the Shareholders as a whole.

### **Annual caps for the three financial years ending 30 April 2019**

The historical transaction amounts paid by our Group to Tradetech for the purchase of the Supplied Products for the year ended 30 April 2016 was approximately HK\$137,000 in aggregate. Our Directors estimate that the annual amount payable by our Group to Tradetech under the Master Supply Agreement for each of the three years ending 30 April 2019 will not exceed HK\$0.5 million, HK\$0.5 million and HK\$0.5 million, respectively. The annual caps were determined by reference to (i) the historical transaction amounts for the purchase of the Supplied Products from Tradetech for the year ended 30 April 2016; (ii) the future expansion of our Group's business and the nature and scope of works involved under our contracts on hand as at the Latest Practicable Date which is expected to result in the increase in demand for the Supplied Products; and (iii) a buffer for any possible increase in the prices of the Supplied Products for the three years ending 30 April 2019.

### **GEM Listing Rules Implications**

Since the annual consideration for the transactions contemplated under the Master Supply Agreement for each of the three financial years ending 30 April 2019 will be limited to less than HK\$3.0 million, the transactions contemplated under the Master Supply Agreement will be de minimis transactions under Rule 20.24 of the GEM Listing Rules and hence are fully exempt from all the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### **CONFIRMATION FROM OUR DIRECTORS**

The Directors (including the independent non-executive Directors) confirmed that the continuing connected transactions under the Master Supply Agreement as described above have been entered into in the ordinary and usual course of business of our Group and have been based on arm's length negotiations and on normal commercial terms or better terms to our Group that are fair and reasonable and in the interests of our Company and our Shareholders as a whole and the annual caps as mentioned above are also fair and reasonable and in the interests of our Company and our Shareholders as a whole.

## CONNECTED TRANSACTIONS

### CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the continuing connected transactions under the Master Supply Agreement described above (i) have been entered into and will be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better terms; (ii) the terms of the Master Supply Agreement and the continuing connected transactions thereunder are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed annual caps for the continuing connected transactions under the Master Supply Agreement are fair and reasonable and in the interest of our Company and our Shareholders as a whole.



## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, 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 any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group:

Name	Capacity/ Nature of Interest	Shares held immediately prior to the completion of the Capitalisation Issue and Share Offer		Shares held immediately following the completion of the Capitalisation Issue and Share Offer	
		Number of Shares	Approximate percentage of shareholding interest of our Company	Number of Shares	Approximate percentage of shareholding interest in our Company
Golden Page	Beneficial Owner	7,001	70.01	420,060,000 (L)	52.51%
Mr. Li	Interest in controlled corporation ( <i>Note 1</i> )	7,001	70.01	420,060,000 (L)	52.51%
Smart Million	Beneficial Owner	2,999	29.99	179,940,000 (L)	22.49%
Marvel Paramount Investments Limited	Interest in a controlled corporation ( <i>Note 2</i> )	2,999	29.99	179,940,000 (L)	22.49%
Ma Ting Wai Barry	Interest in a controlled corporation ( <i>Note 3</i> )	2,999	29.99	179,940,000 (L)	22.49%
Ms. Leung Wing Ci Winnie	Interest of spouse ( <i>Note 4</i> )	2,999	29.99	179,940,000 (L)	22.49%

*Notes:*

- (1) Such Shares are registered in the name of Golden Page, a company wholly and beneficially owned by Mr. Li. By virtue of the SFO, Mr. Li is deemed to be interested in all such Shares held by Golden Page.
- (2) Such Shares are registered in the name of Smart Million, a company beneficially owned as to 66.67% by Marvel Paramount Investments Limited. By virtue of the SFO, Marvel Paramount Investments Limited is deemed to be interested in all such Shares held by Smart Million.
- (3) Such Shares are registered in the name of Smart Million, a company beneficially owned as to 66.67% by Marvel Paramount Investments Limited, which is wholly and beneficially owned by Mr. Ma Ting Wai Barry. By virtue of the SFO, Mr. Ma Ting Wai Barry is deemed to be interested in all such Shares in which Smart Million is interested or deemed to be interested under the SFO.
- (4) Ms. Leung Wing Ci Winnie is the spouse of Mr. Ma Ting Wai Barry. By virtue of the SFO, Ms. Leung Wing Ci Winnie is deemed to be interested in all the Shares in which Mr. Ma Ting Wai Barry is interested or deemed to be interested under the SFO.
- (5) The Letter "L" denotes the entity/person's long position in the Shares.

## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

### SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the general mandates to issue and repurchase Shares, the share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

<i>Authorised share capital</i>	<b>Total nominal value</b>
<u>2,000,000,000</u> Shares of HK\$0.01 each	<u>HK\$20,000,000.0</u>

*Assuming the Offer Size Adjustment Option is not exercised, Shares in issue or to be issued, fully paid or credited as fully paid:*

10,000	Shares in issue as at the date of this prospectus	HK\$100.0
599,990,000	Shares to be issued under the Capitalisation Issue	HK\$5,999,900.0
<u>200,000,000</u>	Shares to be issued under the Share Offer	<u>HK\$2,000,000.0</u>

*Total*

<u>800,000,000</u>	Shares	<u>HK\$8,000,000.0</u>
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*Assuming the Offer Size Adjustment Option is exercised in full, Shares in issue or to be issued, fully paid or credited as fully paid:*

10,000	Shares in issue as at the date of this prospectus	HK\$100.0
599,990,000	Shares to be issued under the Capitalisation Issue	HK\$5,999,900.0
200,000,000	Shares to be issued under the Share Offer	HK\$2,000,000.0
30,000,000	Shares to be issued upon the exercise of the Offer Size Adjustment Option in full	HK\$300,000.0

*Total*

<u>830,000,000</u>	Shares	<u>HK\$8,300,000.0</u>
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### MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the GEM Listing Rules is 25% of its share capital in issue from time to time.

### RANKING

The Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares after the date of this prospectus, save for entitlements under the Capitalisation Issue.

## SHARE CAPITAL

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Please see the subsection headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus for details of the principal terms of the Share Option Scheme.

### GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme(s) or other similar arrangements or under the Share Offer or any scrip dividends in accordance with the Articles or a specific authority granted by our Shareholders, Shares or securities or options convertible into Shares and to make or grant offers and agreements which require or might require Shares to be allotted not exceeding the sum of:

- (a) 20% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option); 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 paragraphs headed “General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

Please refer to the subsection headed “Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 5. Written resolutions of our Shareholders passed on 27 March 2017” in Appendix IV to this prospectus for further details of this general mandate.

## SHARE CAPITAL

### GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the aggregate number of Shares in issue following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option). This mandate only relates to repurchases made 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, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant Listing Rules is set out in the subsection headed “Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 6. Repurchase of our Shares” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the subsection headed “Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 6. Repurchase of our Shares” in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the Articles of Association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of the Company and the Cayman Islands Company Law” set out in Appendix III to this prospectus.

## FINANCIAL INFORMATION

*You should read this section in conjunction with our consolidated financial information including the notes thereto, as set forth in the Accountants' Report. The Accountants' Report has been prepared on the basis set out in Appendix I to this prospectus and in accordance with our accounting policies that are in conformity with HKFRS.*

*This section contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and our analysis made in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the section headed "Risk factors" in this prospectus.*

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

We are a registered fire service installation contractor, qualified to undertake works in respect of the installation, maintenance, repairs or inspection of various fire safety systems in Hong Kong. We ranked the ninth among the registered fire service installation contractors in Hong Kong in terms of revenue attributable to provision of fire safety services for the year 2015, according to the CIC Report.

Our services mainly include (i) design, supply and installation of fire safety systems for buildings under construction or re-development; and (ii) maintenance and repair of fire safety systems for built premises.

For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, we recorded revenue of approximately HK\$79.9 million, HK\$124.0 million and HK\$36.7 million, respectively and profit attributable to our Company's Shareholders of approximately HK\$6.4 million, HK\$12.8 million and a loss of HK\$0.6 million, respectively. The loss for the five months ended 30 September 2016 resulted from the recognition of listing expenses of HK\$4.1 million.

### PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

#### **Economic conditions and government policies on land supply and property development**

Our financial performance is directly correlated to the level of construction activities, both for new developments as well as for existing building renovation and maintenance in Hong Kong, which is in turn affected by the economic conditions and government policies on land supply and property development. For further details of the impact of these factors, please refer to the subsection headed "Industry Overview — Market Analysis of Fire Safety Industry in Hong Kong — Market drivers" in this prospectus. If any of these factors changes unexpectedly or unfavorably, our business, financial condition and results of operations may be adversely affected.

## FINANCIAL INFORMATION

### **Our business is project-based**

Almost all of our projects are awarded by way of tender. We maintain close and stable relationships with our major customers. However, due to the business nature, our business operation is project-based and we do not have any long-term contracts with our major customers. If our customers do not invite us to tender for new projects or we are unable to secure the new contracts during the tendering process, our business, financial condition and results of operations may be adversely affected.

### **Pricing of our projects**

Our contract price is based on the terms of the project, the degree of complexity, the length of the project period, the general market condition and the estimated costs to be incurred plus a mark-up. Pricing is critical to our business operations. We compete with our competitors by offering competitive price quotations together with quality services to our customers. On the other hand, we carefully prepare our cost budget and regularly monitor our actual costs to ensure that they will not exceed our budget. Once the contract price is fixed, we will have to bear any cost increment due to unforeseen circumstances. In the event of any unexpected delay in our projects and we are unable to reallocate our resources in an efficient manner or enter into a variation order with our clients, our profitability would be adversely affected.

### **Timing of projects and percentage of completion**

Our revenue is recognised using the percentage of completion method. As such, our revenue is dependent not only on the contract price of our projects, but also on the percentage of completion at the end of each reporting period. For further details of our revenue recognition, please refer to note 4 of the Accountants' Report. As the duration of our service contracts typically cover a period of more than 12 months, the progress of each contract we undertake in any period may affect our results of operations and lead to fluctuations in revenue recognised from period to period.

### **Subcontracting costs and material costs**

Our subcontracting costs and material costs represent a significant portion of our cost of sales. Our subcontracting costs amounted to approximately HK\$43.6 million, HK\$69.2 million and HK\$19.8 million and accounted for approximately 63.5%, 66.3% and 65.5% of our cost of sales for each of the two years ended 30 April 2016 and the five months ended 30 September 2016, respectively. Our material costs amounted to approximately HK\$17.1 million, HK\$23.3 million and HK\$6.5 million and accounted for approximately 24.9%, 22.4% and 21.6% of our cost of sales for the same periods, respectively. The subcontracting costs and material costs may fluctuate after we have secured our projects and may deviate from our estimation during the tender stage. Should there be any significant and unexpected increase in the subcontracting costs and material costs which cannot be passed on to our customers, our profitability will be adversely affected.

## FINANCIAL INFORMATION

According to the CIC Report, plumbers and electricians are the common types of labor hired in the fire safety industry. From 2010 to 2015, the average daily wage for plumbers and electricians increased at a CAGR of 7.3% and 8.2%, respectively. On the other hand, copper and galvanized steel are the major raw materials of the equipment and other components used in the fire safety industry. From 2010 to 2015, the average import price of copper recorded a negative CAGR of 0.6%, whereas the average import price of galvanized steel recorded a CAGR of 2.8% respectively. For prudence sake, our Group adopted 3% and 8% in the following sensitivity analysis to illustrate the impact of hypothetical fluctuations in the subcontracting costs and material costs on our profit before taxation during the Track Record Period:

**HK\$'000, except percentages**

<b>Hypothetical fluctuation in subcontracting costs</b>	<b>+/-3%</b>	<b>+/-8%</b>
<i>Impact on our profit before taxation</i>		
For the year ended 30 April 2015	-/+1,308	-/+3,488
For the year ended 30 April 2016	-/+2,077	-/+5,538
For the five months ended 30 September 2016	-/+595	-/+1,588

**HK\$'000, except percentages**

<b>Hypothetical fluctuation in material costs</b>	<b>+/-3%</b>	<b>+/-8%</b>
<i>Impact on our profit before taxation</i>		
For the year ended 30 April 2015	-/+513	-/+1,368
For the year ended 30 April 2016	-/+700	-/+1,867
For the five months ended 30 September 2016	-/+196	-/+522

### **Timing of collection of our trade and retention receivables**

Generally, we submit payment applications to our customers regularly which set out the value of work we have performed. Our customers or their architects or engineers will then examine our work and issue a payment certificate after the examination. We will then issue invoices to our customers. The credit terms granted to our customers are generally 30 days from the date of invoices. In addition, retention money is generally withheld by our customers to guarantee our due performance of the contract. The amount of retention money ranges from 5% to 10% of the value of the works certified, subject to a maximum retention of 5% of the awarded contract sum. The retention money is released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Our trade and retention receivables amounted to approximately HK\$7.9 million, HK\$18.2 million and HK\$12.6 million as at 30 April 2015 and 2016 and 30 September 2016, respectively. In the event that our customers fail to process and settle our payment applications or release the retention money to us on a timely basis, our liquidity may be adversely affected.



## FINANCIAL INFORMATION

### CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The discussion and analysis of our financial position and results of operations as included in this prospectus is based on the consolidated financial statements prepared in accordance with the significant accounting policies set out in note 4 of the Accountants' Report, which conform with the HKFRSs.

In the application of our Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ under different assumptions or conditions.

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.

Set forth below are the most critical accounting policies, and judgements and estimates that have been used in the preparation of our financial statements:

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

##### *Provision of fire safety system installation and maintenance services*

Our Group recognises revenue in the accounting period in which the services are performed by reference to the percentage of completion of individual project. Variations in contract work, claims and incentive payments are recognised to the extent that the amount can be measured reliably and it is probable that we will receive the payments.

Use of the percentage of completion method requires us to estimate the services performed to date as a proportion of the total services to be performed. Because of the nature of the activities undertaken in each project, the date at which the service activity is entered into and the date when the activity is completed usually fall into different accounting periods. Our Group regularly reviews and revises the estimation of the services performed to date as a proportion of the total services to be performed for each service activity as the project progresses.

##### *Trading of fire services equipment*

Revenue from trading of fire services equipment is recognised when the goods have been delivered and the significant risks and rewards associated with the ownership of the goods have been passed to our customers.

## FINANCIAL INFORMATION

### *Interest income*

Interest income is recognised when it is probable that the economic benefits will flow to our Group and the amount can be measured reliably. Interest income is accrued on a time basis using an applicable effective interest rate.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Summary of results of operations

The following table summarises our Group's consolidated revenue and results for the Track Record Period, details of which are set out in the Accountants' Report. The financial information contained herein and in the Accountants' Report is prepared in accordance with HKFRSs and is presented as if our current group structure had been in existence throughout the periods presented.

	<b>Year ended 30 April</b>		<b>Five months ended 30 September</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
Revenue	79,882	123,989	30,765	36,699
Cost of sales	<u>(68,617)</u>	<u>(104,344)</u>	<u>(26,633)</u>	<u>(30,286)</u>
Gross profit	11,265	19,645	4,132	6,413
Other income	—	7	—	—
Administrative expenses	(3,444)	(4,036)	(1,376)	(6,250)
Finance costs	<u>(153)</u>	<u>(144)</u>	<u>(71)</u>	<u>(21)</u>
Profit before taxation	7,668	15,472	2,685	142
Taxation	<u>(1,246)</u>	<u>(2,636)</u>	<u>(443)</u>	<u>(774)</u>
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company for the year/period	<u><u>6,422</u></u>	<u><u>12,836</u></u>	<u><u>2,242</u></u>	<u><u>(632)</u></u>

## FINANCIAL INFORMATION

### Revenue

Our total revenue amounted to approximately HK\$79.9 million, HK\$124.0 million and HK\$36.7 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016, respectively. We derive a majority of our revenue from the installation and maintenance of fire safety system, which accounted for approximately 98.5%, 99.2% and 99.7% of our total revenue for the respective periods. In addition, we also derive some revenue from the trading of fire services equipment. The table below sets forth our revenue by business segment and the percentage of total revenue for each segment represented for the periods indicated:

	Year ended 30 April				Five months ended 30 September			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Installation	56,878	71.2	91,542	73.8	25,496	82.9	30,279	82.5
Maintenance	21,795	27.3	31,455	25.4	4,398	14.3	6,314	17.2
	78,673	98.5	122,997	99.2	29,894	97.2	36,593	99.7
Trading of fire services equipment	1,209	1.5	992	0.8	871	2.8	106	0.3
Total	79,882	100.0	123,989	100.0	30,765	100.0	36,699	100.0

### Installation and maintenance of fire safety system

We provide our professional services in respect of the installation and maintenance of fire safety system to the public and private sectors in Hong Kong. The table below sets forth our revenue by customer sector and the percentage of total revenue for each sector represented for the periods indicated:

	Year ended 30 April				Five months ended 30 September			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Public sector	46,212	58.7	59,676	48.5	10,300	34.5	19,177	52.4
Private sector	32,461	41.3	63,321	51.5	19,594	65.5	17,416	47.6
Total	78,673	100.0	122,997	100.0	29,894	100.0	36,593	100.0

## FINANCIAL INFORMATION

For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, there were 158, 146 and 88 projects contributing approximately HK\$78.7 million, HK\$123.0 million and HK\$36.6 million to our revenue, respectively. The table below sets forth the breakdown of such contracts based on their respective revenue recognised for the periods indicated:

	Year ended 30 April		Five months ended 30 September	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
<b>Revenue recognised</b>				
HK\$5,000,000 or above	44,710	73,494	6,752	11,214
HK\$1,000,000 to below				
HK\$5,000,000	16,067	35,973	16,088	16,600
Below HK\$1,000,000	<u>17,896</u>	<u>13,530</u>	<u>7,054</u>	<u>8,779</u>
Total	<u><u>78,673</u></u>	<u><u>122,997</u></u>	<u><u>29,894</u></u>	<u><u>36,593</u></u>

### *Major projects completed during the Track Record Period*

Our revenue is affected by the number, size, nature of services provided and stage of completion of the projects. The table below sets forth the summary of sizeable projects with contract sum and recognised revenue during the Track Record Period of over HK\$1 million that were completed or the contract terms of which had expired:

Particulars and location	Type and particulars of works	Category (Note 1)	Awarded contract sum <i>HK\$'000</i>	Revenue recognised			Total revenue recognised during the Track Record Period <i>HK\$'000</i>
				Year ended 30 April 2015 <i>HK\$'000</i>	Year ended 30 April 2016 <i>HK\$'000</i>	Five months ended 30 September 2016 <i>HK\$'000</i>	
A data centre of a company providing telecommunication services in Tseung Kwan O, the New Territories, Hong Kong	Design, installation, testing, commissioning and maintenance of fire safety system	Private	32,518	—	26,463	6,055	32,518
A data centre in Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation, testing, commissioning and maintenance of fire safety system	Private	18,357	12,769	4,064	1,524	18,357
A railway depot in Kowloon Bay, Kowloon	Enhancement of a drencher system in a railway depot	Public	13,316	12,120	735	—	12,855

## FINANCIAL INFORMATION

Particulars and location	Type and particulars of works	Category (Note 1)	Awarded contract sum HK\$'000	Revenue recognised			Total revenue recognised during the Track Record Period HK\$'000
				Year ended 30 April 2015 HK\$'000	30 April 2016 HK\$'000	Five months ended 30 September 2016 HK\$'000	
A data centre at Chun Choi Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation of fire safety system, including gas flooding system, aspirating smoke detection system, automatic and manual fire alarm system, for the data centre	Private	8,360	—	8,360	—	8,360
The premises of two Government departments	Repair and maintenance of, alterations and additions to the fire safety systems	Public	15,805	5,159	1,934	654	7,747
A residential development at 31 Conduit Road, the Mid-Levels West, Hong Kong	Installation of fire safety system in the residential building, including automatic sprinkler system, automatic fire retention and fire alarm system, and portable fire extinguisher and equipment	Private	5,480	414	4,491	575	5,480
A data centre at Chun Choi Street, Tseung Kwan O Industrial Estate Phase 2, Tseung Kwan O, the New Territories, Hong Kong	Installation of fire service system	Public	5,213	5,213	—	—	5,213
A railway station along Kwun Tong Line Extension	Installation of fire safety system in the railway station	Public	4,995	—	3,992	1,003	4,995
A substation in West Kowloon, Hong Kong	Installation of fire safety system in the substation	Private	3,590	361	2,921	188	3,470
A workshop in Yuen Long, the New Territories, Hong Kong	Installation of fire safety system	Private	4,146	3,213	—	—	3,213
The premises of a hospital in Jordan, Hong Kong	Addition, alteration and improvement of the fire safety systems of the premises of the hospital	Public	2,736	—	122	2,097	2,219

## FINANCIAL INFORMATION

Particulars and location	Type and particulars of works	Category (Note 1)	Awarded contract sum HK\$'000	Revenue recognised			Total revenue recognised during the Track Record Period HK\$'000
				Year ended 30 April 2015 HK\$'000	30 April 2016 HK\$'000	Five months ended 30 September 2016 HK\$'000	
A data centre at Chun Choi Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation of fire safety system	Private	2,080	—	—	2,080	2,080
A substation at On Sum Street, Shatin, Hong Kong	Supply and installation of fire safety system in the substation	Private	2,071	—	2,071	—	2,071
Phase 2 of a bus depot in Kowloon Bay, Kowloon	Enhancement of a particular fire safety system	Public	2,080	—	1,976	—	1,976
Two hospitals in Tuen Mun, the New Territories, Hong Kong	Conducting hydraulic tests and replacing gas cylinders	Public	2,208	1,944	—	—	1,944
An interchange substation at Lai Po Road, Stonecutters Island, Kwai Chung Town, Lot No. 509, Kowloon, Hong Kong	Installation of fire safety system for the interchange substation	Private	3,127	1,442	32	—	1,474
Various hospitals and clinics in the New Territories East, Hong Kong	Testing and replacement of fire safety systems of the hospitals and clinics	Public	1,878	—	1,257	—	1,257
A switching station in Pok Fu Lam, Hong Kong	Upgrading of fire safety system of the switching station	Private	1,225	1,164	—	—	1,164
A charity centre in Fanling, the New Territories, Hong Kong	Installation of fire safety system	Private	1,075	253	822	—	1,075
A data hall of a company providing telecommunication services in Shatin, the New Territories, Hong Kong	Replacement of fire safety system of the data hall	Private	1,075	—	1,075	—	1,075

## FINANCIAL INFORMATION

### *Major on-going projects as at the Latest Practicable Date*

Furthermore, the table below sets forth the summary of sizeable projects with contract sum over HK\$1 million that were awarded to us and remained on-going as at the Latest Practicable Date:

Particulars and location	Type and particulars of works	Category (Note 1)	Awarded contract sum HK\$'000	Revenue recognised			Total revenue recognised during the Track Record Period HK\$'000	Expected to be completed by (year/month) (Note 2)
				Year ended 30 April		Five months ended 30 September		
				2015 HK\$'000	2016 HK\$'000	2016 HK\$'000		
The premises of a Government-related organisation	Repair and maintenance, alteration and addition to the fire safety systems and water pump systems in the premises of a Government-related organisation	Public	39,948	9,450	14,326	850	24,626	2017/03
A railway station at Kai Tak, Kowloon, Hong Kong	Installation, testing and commissioning the fire safety system and corresponding accessories in the railway station, including provision of technical information and support, immediate repair works and necessary replacement of accessories	Public	25,802	—	16,781	5,160	21,941	2017/04
Specified premises at Hong Kong airport, Lantau, Hong Kong	Maintenance of fire safety system	Public	33,802	968	7,564	1,580	10,112	2017/12
A railway station along the East Rail Line	Installation of fire safety system, including automatic fire alarm and detection system, sprinklers, and total gaseous flooding system	Public	11,471	4,388	3,620	1,337	9,345	2017/04

## FINANCIAL INFORMATION

Particulars and location	Type and particulars of works	Category (Note 1)	Awarded contract sum HK\$'000	Revenue recognised			Total revenue recognised during the Track Record Period HK\$'000	Expected to be completed by (year/month) (Note 2)
				Year ended 30 April 2015 HK\$'000	30 April 2016 HK\$'000	30 September 2016 HK\$'000		
The premises of a utility supplier	Maintenance of fire protection equipment	Private	7,764	1,873	2,569	558	5,000	2017/04
A railway station along the East Rail Line	Installation of fire safety system in the railway station	Public	4,700	—	2,598	1,198	3,796	2017/04
A residential property in Tsim Sha Tsui, Kowloon, Hong Kong	Maintenance of fire safety system	Public	2,375	745	1,174	408	2,327	2017/05
A data centre at Chun Choi Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation of fire safety system	Private	31,309	—	—	1,073	1,073	2017/06
A railway station along Island Line	Refurbishment of fire safety system of the concourse, platforms and entrances in the railway station	Public	4,242	—	—	265	265	2017/07
Specified premises at Hong Kong airport, Lantau, Hong Kong	Maintenance of fire safety system	Public	4,547	—	—	—	—	2019/05
A railway station along Shatin to Central Link	Installation of fire safety system	Public	20,380	—	—	—	—	2018/04
The premises of various Government departments	Repair and maintenance, alteration and addition to fire safety system	Public	25,439	—	—	—	—	2019/07
A data centre at Tseung Kwan O Industrial Estate, Tseung Kwan O, the New Territories, Hong Kong	Installation of fire safety system	Private	7,908	—	—	—	—	2017/04



## FINANCIAL INFORMATION

Particulars and location	Type and particulars of works	Category (Note 1)	Awarded contract sum HK\$'000	Revenue recognised			Total revenue recognised during the Track Record Period HK\$'000	Expected to be completed by (year/month) (Note 2)
				Year ended 30 April 2015 HK\$'000	30 April 2016 HK\$'000	30 September 2016 HK\$'000		
Public housing estates at Sheung Shui, the New Territories, Hong Kong	Installation of fire safety system	Public	56,000	—	—	—	—	2019/04
A medical centre of excellence in the paediatrics specialty in Kai Tak, Kowloon, Hong Kong	Installation of fire safety system	Public	18,850	—	—	—	—	2017/08
A railway station along the Express Rail Link	Installation of fire safety system	Public	30,242	—	—	—	—	2018/04
A railway station along the Express Rail Link	Installation of fire safety system	Public	14,503	—	—	—	—	2018/03
Premises of a utility supplier	Maintenance of fire safety system	Public	3,609	—	—	—	—	2019/10

*Notes:*

1. We classify public sector contracts as contracts in which the ultimate employer is a Government department or Government-related organisations.
2. The expected completion date was estimated based on the relevant contract, which is subject to variation based on the actual completion progress.

### Trading of fire services equipment

We sell various fire service equipment to cater the needs of our customers. During the Track Record Period, we entered into a non-exclusive distributorship agreement with a multinational engineering and electronics company for the sale and distribution of branded fire service equipment. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our revenue from the trading of fire services equipment amounted to approximately HK\$1.2 million, HK\$1.0 million and HK\$0.1 million, respectively.

## FINANCIAL INFORMATION

### Cost of sales

Cost of sales mainly comprise subcontracting costs, material costs and direct labour costs. The table below sets forth a breakdown of our cost of sales by each category and the percentage of total cost of sales for each category represented, during the Track Record Period:

	Year ended 30 April				Five months ended 30 September			
	2015		2016		2015		2016	
	% of total cost of sales		% of total cost of sales		% of total cost of sales		% of total cost of sales	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000	
	(Unaudited)							
Subcontracting costs	43,605	63.5	69,225	66.3	14,266	53.6	19,848	65.5
Material costs	17,104	24.9	23,342	22.4	8,910	33.5	6,531	21.6
Direct labour costs	5,549	8.1	8,383	8.0	2,386	9.0	2,551	8.4
Others	2,359	3.5	3,394	3.3	1,071	3.9	1,356	4.5
<b>Total</b>	<b>68,617</b>	<b>100.0</b>	<b>104,344</b>	<b>100.0</b>	<b>26,633</b>	<b>100.0</b>	<b>30,286</b>	<b>100.0</b>

#### *Subcontracting costs*

Subcontracting costs mainly represent the fees paid to our subcontractors for fire system installation and maintenance services performed on our behalf. Subcontracting cost is the largest component of our cost of sales. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our subcontracting costs amounted to approximately HK\$43.6 million, HK\$69.2 million and HK\$19.8 million, representing 63.5%, 66.3% and 65.5% of our total cost of sales, respectively.

#### *Material costs*

Material costs mainly represent the costs of fire services equipment procured from our suppliers for use in our projects, such as fire control panels, fire detectors, fire hydrants and hose reels. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our material costs amounted to approximately HK\$17.1 million, HK\$23.3 million and HK\$6.5 million, representing 24.9%, 22.4% and 21.6% of our total cost of sales, respectively.

#### *Direct labour costs*

Direct labour costs mainly consist of salaries and benefits of our employees directly involved in the provision of our professional services.

## FINANCIAL INFORMATION

### Gross profit

The table below sets forth our gross profit and gross profit margin by types of business for the periods indicated:

	Year ended 30 April				Five months ended 30 September			
	2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Installation	8,077	14.2	14,827	16.2	3,169	12.4	5,603	18.5
Maintenance	<u>2,921</u>	13.4	<u>4,637</u>	14.7	<u>691</u>	15.7	<u>772</u>	12.2
Trading of fire services equipment	10,998	14.0	19,464	15.8	3,860	12.9	6,375	17.4
	<u>267</u>	22.1	<u>181</u>	18.2	<u>272</u>	31.2	<u>38</u>	35.8
Total	<u>11,265</u>	14.1	<u>19,645</u>	15.8	<u>4,132</u>	13.4	<u>6,413</u>	17.5

We recorded an overall gross profit of approximately HK\$11.3 million, HK\$19.6 million and HK\$6.4 million for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 and a gross profit margin of 14.1%, 15.8% and 17.5%, respectively. We price our services based on various factors, among others, the scope of works and complexity of the projects. In this regard, our profitability fluctuates depending on the nature of projects engaged by us during the years. On the other hand, we price our fire services equipment based on the procurement cost and our expected profit margin.

The table below sets forth our gross profit and gross profit margin of fire safety system installation and maintenance services by customer sector for the periods indicated:

	Year ended 30 April				Five months ended 30 September			
	2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Public	6,736	14.6	9,739	16.3	1,551	15.1	3,224	16.8
Private	<u>4,262</u>	13.1	<u>9,725</u>	15.4	<u>2,309</u>	11.8	<u>3,151</u>	18.1
Total	<u>10,998</u>	14.0	<u>19,464</u>	15.8	<u>3,860</u>	12.9	<u>6,375</u>	17.4

## FINANCIAL INFORMATION

For the two years ended 30 April 2016, we recorded a higher gross profit margin from our services provided to the public sector as compared with the private sector. For the five months ended 30 September 2016, we had more private sector projects related to the installation of fire service system for data centres which generated gross profit of HK\$1.9 million and these projects generally had higher gross profit margin as compared with the projects performed during the five months ended 30 September 2015. According to the CIC Report, data centres are equipped with more advanced fire safety systems in order to protect the electronic equipment and the information stored inside. These equipment requires experienced fire service installation contractors to install and maintain, which we believe that it is the major reason for a higher profit margin for our services provided to data centres. Furthermore, we intended to enrich our portfolio with more hospital projects and reduced our mark-up on a maintenance project related to the upgrade of fire alarm system of a hospital. This project only generated gross profit of HK\$0.1 million during the five months ended 30 September 2016, which had a gross profit margin of 7% and it was lower than the gross profit margin of most public sector projects for the five months ended 30 September 2015. Accordingly, our gross profit margin of public sector for the five months ended 30 September 2016 was lower than that of private sector.

For the two years ended 30 April 2016 and the five months ended 30 September 2016, our gross profit margin of private sector was 13.1%, 15.4% and 18.1%, respectively. Such increasing trend was primarily due to more data centre projects undertaken by us during the Track Record Period and these projects were more profitable for the reasons mentioned above.

As compared with the two years ended 30 April 2016, we had a higher gross profit margin of private sector for the five months ended 30 September 2016. This was mainly because we attempted to charge higher profit margin for a new data centre project undertaken during the five months ended 30 September 2016 by leveraging on our built portfolio for data centre projects previously undertaken, and the tender of which was accepted and awarded by our customer.

### **Other income**

Other income for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 were nil, HK\$7,000 and nil, respectively.

### **Administrative expenses**

Administrative expenses mainly represented the salaries and benefits of our administrative and management staff, rental expenses, insurance, legal and professional fees, depreciation of plant and equipment, listing expenses and other miscellaneous administrative expenses. Our administrative expenses for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 were HK\$3.4 million, HK\$4.0 million and HK\$6.3 million, respectively.

For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, we incurred depreciation expenses of HK\$80,000, HK\$112,000 and HK\$49,000. During the five months ended 30 September 2016, we acquired a motor vehicle at a cost of HK\$0.3 million and furniture, fixtures and equipment at a cost of HK\$0.1 million. Despite that, our depreciation expense for the five months ended 30 September 2016 remained relatively stable as compared with the year ended 30 April 2016 because we acquired the motor vehicle in August 2016.

## FINANCIAL INFORMATION

The table below shows the breakdown of administrative expenses incurred by us for the periods indicated:

	<b>Year ended 30 April</b>		<b>Five months ended 30 September</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Staff costs	1,580	1,754	671	744
Rent and rates	639	677	274	290
Depreciation of plant and equipment	80	112	46	49
Insurance	290	334	143	172
Legal and professional fees	258	503	3	553
Travelling and entertainment expenses	257	326	109	158
Listing expenses	—	—	—	4,061
Others	<u>340</u>	<u>330</u>	<u>130</u>	<u>223</u>
<b>Total</b>	<u><u>3,444</u></u>	<u><u>4,036</u></u>	<u><u>1,376</u></u>	<u><u>6,250</u></u>

### **Income tax expenses**

Income tax expenses represent the tax expense arising from the assessable profit generated by our Group in Hong Kong and deferred tax. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period.

For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, our income tax expenses amounted to approximately HK\$1.2 million, HK\$2.6 million and HK\$0.8 million, respectively. Our effective income tax rate was approximately 16.2%, 17.0% and 545.1% for the same periods, respectively. The significant increase in our effective income tax rate for the five months ended 30 September 2016 was primarily attributed to recognition of listing expenses of approximately HK\$4.1 million, which was viewed as capital nature and non-deductible for tax purpose.

### **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

#### **Five months ended 30 September 2016 compared with five months ended 30 September 2015**

##### ***Revenue***

Our revenue increased by approximately 19.2% from approximately HK\$30.8 million for the five months ended 30 September 2015 to approximately HK\$36.7 million for the five months ended 30 September 2016, which was contributed by the increase in revenue from the provision of fire safety system installation and maintenance services to the public sector.

## FINANCIAL INFORMATION

### *Installation segment*

Segment revenue increased by approximately 18.8% from approximately HK\$25.5 million for the five months ended 30 September 2015 to approximately HK\$30.3 million for the five months ended 30 September 2016. The increase was mainly attributed to (i) the increase in the number of installation projects undertaken by us from 55 for the five months ended 30 September 2015 to 78 for the five months ended 30 September 2016; and (ii) the increase in revenue contributions from the provision of fire service system installation services for railway stations.

### *Maintenance segment*

Segment revenue increased by approximately 43.2% from approximately HK\$4.4 million for the five months ended 30 September 2015 to approximately HK\$6.3 million for the five months ended 30 September 2016. The increase was mainly attributed to the commencement of a maintenance project related to the upgrade of fire alarm system of a hospital in November 2015 and substantial work has been performed during the five months ended 30 September 2016, which contributed approximately HK\$2.1 million to our revenue.

### *Trading of fire services equipment*

Segment revenue amounted to approximately HK\$0.9 million and approximately HK\$0.1 million for the five months ended 30 September 2015 and 2016, representing 2.8% and 0.3% of our total revenue for the respective period.

### *Cost of sales*

Our cost of sales increased by approximately 13.9% from approximately HK\$26.6 million for the five months ended 30 September 2015 to approximately HK\$30.3 million for the five months ended 30 September 2016. The increase was mainly attributed to the increase in subcontracting costs resulting from more projects undertaken by our Group during the five months ended 30 September 2016.

### *Gross profit and gross profit margin*

Our gross profit increased by approximately 56.1% from approximately HK\$4.1 million for the five months ended 30 September 2015 to approximately HK\$6.4 million for the five months ended 30 September 2016. Our overall gross profit margin improved from 13.4% for the five months ended 30 September 2015 to 17.5% for the five months ended 30 September 2016. This was mainly due to the improvement of gross profit margin of installation segment, but partially offset by the decline in gross profit margin of our maintenance segment.

Gross profit margin of our installation segment increased from 12.4% for the five months ended 30 September 2015 to 18.5% for the five months ended 30 September 2016, because we had more projects related to the provision of fire service system installation for railway stations, of which their gross profit margin was generally higher than those of other projects undertaken by us for the five months ended 30 September 2015. When there is a need to rectify any defects or imperfections for railway station projects, we are required to carry out the rectification within a short period of time after the railway service hours, and therefore we charge a higher mark-up on our railway station projects.

## FINANCIAL INFORMATION

Gross profit margin of our maintenance segment decreased from 15.7% for the five months ended 30 September 2015 to 12.2% for the five months ended 30 September 2016. The decrease was mainly attributed to a maintenance project related to the upgrade of fire alarm system of a hospital with a gross profit margin of 7.0%, which was generally lower than those of the maintenance projects undertaken by our Group for the five months ended 30 September 2015.

Gross profit margin of the trading of fire services equipment increased from 31.2% for the five months ended 30 September 2015 to 35.8% for the five months ended 30 September 2016. The increase was mainly due to a higher proportion of an internationally branded fire service equipment was sold during the five months ended 30 September 2016, and its profit margin was higher than those of other domestic branded fire service equipment.

### *Other income*

We did not record any other income for the five months ended 30 September 2016 and 2015.

### *Administrative expenses*

Our administrative expenses increased by approximately 350.0% from approximately HK\$1.4 million for the five months ended 30 September 2015 to approximately HK\$6.3 million for the five months ended 30 September 2016. The increase was mainly attributed to the recognition of listing expenses of approximately HK\$4.1 million.

### *Finance costs*

Our finance costs decreased by approximately 70.4% from approximately HK\$71,000 for the five months ended 30 September 2015 to approximately HK\$21,000 for the five months ended 30 September 2016. The decrease was primarily attributed to our decreased level of bank borrowings.

### *Income tax expense*

Our income tax expense increased by approximately 100.0% from approximately HK\$0.4 million for the five months ended 30 September 2015 to approximately HK\$0.8 million for the five months ended 30 September 2016. The increase was primarily attributed to the increase in taxable profits.

Our effective income tax rate increased from 16.5% for the five months ended 30 September 2015 to 545.1% for the five months ended 30 September 2016. The increase in our effective income tax rate was mainly attributed to the recognition of listing expenses of approximately HK\$4.1 million, which was viewed as capital nature and non-deductible for tax purpose.

### *Loss for the period*

Without taking into account the impact of listing expenses of HK\$4.1 million, our profit for the period would have been HK\$3.4 million, representing an increase of 54.5% as compared with HK\$2.2 million for the five months ended 30 September 2015. Net profit margin for the five months ended 30 September 2016 would have been 9.3% as compared with 7.3% for the five months ended 30 September 2015. Such increase was attributed to more large-scale projects with higher profit margin undertaken by our Group during the period.

## FINANCIAL INFORMATION

### *Dividends*

We did not declare and pay any dividend during the five months ended 30 September 2016 and 2015.

### **Year ended 30 April 2016 compared with year ended 30 April 2015**

### *Revenue*

Our revenue increased by approximately 55.2% from approximately HK\$79.9 million for the year ended 30 April 2015 to approximately HK\$124.0 million for the year ended 30 April 2016. The revenue increment was mainly due to the increase in revenue from the provision of installation and maintenance services to both public and private sector.

### *Installation segment*

Segment revenue increased by approximately 60.8% from approximately HK\$56.9 million for the year ended 30 April 2015 to approximately HK\$91.5 million for the year ended 30 April 2016. The increase was mainly attributed to the award of two large-scale projects (provision of fire service system installation services for a railway station in Kai Tak and a data centre in Tseung Kwan O) with an aggregate awarded contract sum of approximately HK\$58.3 million in 2016. Substantial work was carried out for these two projects during the year ended 30 April 2016 and contributed approximately HK\$43.2 million to the segment revenue.

### *Maintenance segment*

Segment revenue increased by approximately 44.5% from approximately HK\$21.8 million for the year ended 30 April 2015 to approximately HK\$31.5 million for the year ended 30 April 2016. The increase was mainly attributed to variation orders received from our customers in respect of (i) a maintenance project for airport premise awarded in January 2015, which required us to perform additional work during the year ended 30 April 2016, and hence increased the relevant contract sum. Together with the full-year revenue contribution effect, this project contributed revenue of approximately HK\$7.6 million for the year ended 30 April 2016 as compared to only four-month revenue contribution of approximately HK\$1.0 million for the year ended 30 April 2015; and (ii) a project related to the maintenance, repair, alteration and addition to fire services and water pump systems of government buildings, which increased our revenue by approximately HK\$4.9 million for the year ended 30 April 2016 as compared with 2015.

### *Trading of fire services equipment*

Segment revenue amounted to approximately HK\$1.2 million and approximately HK\$1.0 million for the year ended 30 April 2015 and 2016, representing 1.5% and 0.8% of our total revenue for the respective year.

### *Cost of sales*

Our cost of sales increased by approximately 52.0% from approximately HK\$68.6 million for the year ended 30 April 2015 to approximately HK\$104.3 million for the year ended 30 April 2016. The increase in our cost of sales was primarily due to the increase in subcontracting costs and material costs arising from the two large-scale installation projects mentioned above and the increase in direct labor costs as a result of additional head count and salary increment.



## FINANCIAL INFORMATION

### *Gross profit and gross profit margin*

Our gross profit increased by approximately 73.5% from approximately HK\$11.3 million for the year ended 30 April 2015 to approximately HK\$19.6 million for the year ended 30 April 2016. Our overall gross profit margin also increased from 14.1% to 15.8%. This was mainly due to the improvement of gross profit margin of both installation and maintenance segments, but partially offset by the decline in gross profit margin of our trading segment.

Gross profit margin of our installation segment increased from 14.2% for the year ended 30 April 2015 to 16.2% for the year ended 30 April 2016. The increase was mainly attributed to two large-scale installation projects mentioned above, which had higher gross profit margin as compared to most projects undertaken by our Group for the year ended 30 April 2015.

Gross profit margin of our maintenance segment increased from 13.4% for the year ended 30 April 2015 to 14.7% for the year ended 30 April 2016. The increase was mainly attributed to the aforesaid maintenance project for airport premise with a full-year contribution to our gross profit for the year ended 30 April 2016 as compared with only four-month contribution in 2015, and a profit margin of approximately 17.0% which was higher as compared to our other projects. If there are any fire service equipment failure or false fire alarms at the airport premise, we are required to send our staff on site to rectify the matter and reset the fire service system within an hour after being informed, and therefore we charge a higher margin for the maintenance of airport premise.

Gross profit margin of the trading of fire services equipment decreased from 22.1% for the year ended 30 April 2015 to 18.2% for the year ended 30 April 2016. The decrease was mainly due to the decrease in the proportion of an internationally branded fire service equipment sold during the year ended 30 April 2016 and its profit margin was higher than those of other domestic branded fire service equipment.

### *Other income*

Other income for the year ended 30 April 2016 amounted to HK\$7,000 (2015: nil), which represented a construction industry safety award and income from the sale of scrap materials.

### *Administrative expenses*

Administrative expenses increased by approximately 17.6% from approximately HK\$3.4 million for the year ended 30 April 2015 to approximately HK\$4.0 million for the year ended 30 April 2016, primarily attributed to the increase in staff costs resulting from salary increment and the increase in legal and professional fees.

### *Income tax expenses*

Income tax expenses increased by approximately 116.7% from approximately HK\$1.2 million for the year ended 30 April 2015 to approximately HK\$2.6 million for the year ended 30 April 2016. The increase was mainly attributed to increase in assessable profits.

Our effective income tax rate for each of the two years ended 30 April 2016 remained relatively stable at 16.2% and 17.0%, respectively.

## FINANCIAL INFORMATION

### *Profit for the year*

As a result of the above factors, our profit for the year increased by approximately 100.0% from approximately HK\$6.4 million for the year ended 30 April 2015 to approximately HK\$12.8 million for the year ended 30 April 2016. Net profit margin also increased from 8.0% for the year ended 30 April 2015 to 10.4% for the year ended 30 April 2016.

### *Dividends*

We declared and paid a dividend of HK\$3 million during the year ended 30 April 2015 and a dividend of HK\$3.8 million during the year ended 30 April 2016.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

We historically financed our working capital requirements through cash generated from our operations and bank borrowing. Our working capital requirements mainly consist of the payment of subcontracting costs, procurement costs of materials and staff costs. Upon completion of the Share Offer, our Directors expect that our source of funding will be a combination of cash generated from our operations and net proceeds from the Share Offer, and we may also rely on debt financing, if necessary.

### Cash flows

The following table is a condensed summary of our consolidated statements of cash flow for the periods indicated:

	Year ended 30 April		Five months ended 30 September	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Net cash generated from (used in) operating activities	2,499	3,391	(2,220)	7,655
Net cash used in investing activities	(149)	(231)	(113)	(113)
Net cash (used in) from financing activities	(719)	(5,169)	(842)	7,668
Cash and cash equivalents at beginning of the year/period	3,877	5,508	5,508	3,499
Cash and cash equivalents at end of the year/period	5,508	3,499	2,333	18,709

## FINANCIAL INFORMATION

### Operating activities

Net cash flows from operating activities primarily consist of our profit before tax adjusted by non-cash adjustments, such as depreciation on plant and equipment and the effect of changes in working capital.

Our Group derives cash inflow from operating activities principally from the receipts of payments for the professional services we have performed. Our Group's cash outflow from operating activities mainly consists of payments for subcontracting costs, procurement costs of materials and staff costs.

Net cash flows from operating activities for the five months ended 30 September 2016 was approximately HK\$7.7 million while our Group's profit before tax for the same period was approximately HK\$0.1 million. The difference of approximately HK\$7.6 million was the combined effect of the decrease in trade and retention receivables of approximately HK\$5.5 million and the increase in amounts due to customers for contract work of approximately HK\$1.7 million.

Net cash flows from operating activities for the year ended 30 April 2016 was approximately HK\$3.4 million while our Group's profit before tax for the same period was approximately HK\$15.5 million. The difference of approximately HK\$12.1 million was primarily due to the increase in trade and retention receivables of approximately HK\$10.2 million and the increase in amounts due from customers for contract work of approximately HK\$5.3 million, but partially offset by the increase in trade and retention payables of approximately HK\$3.6 million.

Net cash flows from operating activities for the year ended 30 April 2015 was approximately HK\$2.5 million while our Group's profit before income tax for the same period was approximately HK\$7.7 million. The difference of approximately HK\$5.2 million was primarily due to the increase in amounts due from customers from contract work of approximately HK\$4.4 million.

### Investing activities

Net cash flows used in investing activities for the five months ended 30 September 2016 was approximately HK\$0.1 million, which was primarily attributed to the purchase of plant and equipment.

Net cash flows used in investing activities for the year ended 30 April 2016 was approximately HK\$0.2 million, which represented the purchase of plant and equipment.

Net cash flows used in investing activities for the year ended 30 April 2015 was approximately HK\$0.1 million, which represented the purchase of plant and equipment.

### Financing activities

Net cash flows from financing activities for the five months ended 30 September 2016 was approximately HK\$7.7 million which was primarily attributed to the issuance of shares of approximately HK\$8.0 million.

Net cash flows used in financing activities for the year ended 30 April 2016 was approximately HK\$5.2 million which was primarily attributed to the payment of dividend of approximately HK\$3.8 million, the repayment of bank borrowings of approximately HK\$0.6 million and an advance to a Director of approximately HK\$0.6 million.

## FINANCIAL INFORMATION

Net cash flows used in financing activities for the year ended 30 April 2015 was approximately HK\$0.7 million which was primarily attributed to the repayment of bank borrowings of approximately HK\$0.6 million.

### Net current assets

The following table sets out the breakdown of our Group's current assets, current liabilities and net current assets as at the dates indicated:

	As at 30 April		As at 30 September	As at 31 January
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
<b>CURRENT ASSETS</b>				
Trade and retention receivables	7,944	18,168	12,630	30,103
Amounts due from customers for contract work	10,291	15,553	17,974	27,577
Deposits, prepayments and other receivables	1,812	2,009	2,114	5,920
Amount due from a director	—	628	628	—
Bank balances and cash	5,508	3,499	18,709	17,187
<b>Total current assets</b>	25,555	39,857	52,055	80,787
<b>CURRENT LIABILITIES</b>				
Trade and retention payables	8,909	12,472	11,018	24,544
Amounts due to customers for contract work	1,832	2,350	4,006	8,509
Accruals and other payables	564	452	4,720	1,812
Amount due to a director	18	—	—	—
Amount due to a related company	—	17	—	—
Tax payable	1,940	3,828	4,594	3,784
Obligation under a finance lease	—	—	92	94
Bank borrowing	1,557	939	671	451
<b>Total current liabilities</b>	14,820	20,058	25,101	39,194
<b>Net current assets</b>	10,735	19,799	26,954	41,593

Our Group recorded net current assets of HK\$10.7 million, HK\$19.8 million, HK\$27.0 million and HK\$41.6 million as at 30 April 2015 and 2016, 30 September 2016 and 31 January 2017, respectively.

## FINANCIAL INFORMATION

Our net current assets increased from HK\$10.7 million as at 30 April 2015 to HK\$19.8 million as at 30 April 2016, primarily attributed to the increase in trade and retention receivables of approximately HK\$10.2 million and the increase in amounts due from customers for contract work of approximately HK\$5.3 million, but partially offset by the increase in trade and retention payables of approximately HK\$3.6 million and the increase in tax payable of approximately HK\$1.9 million.

Our net current assets further increased from HK\$19.8 million as at 30 April 2016 to HK\$27.0 million as at 30 September 2016, primarily attributed to the increase in bank balances and cash of approximately HK\$15.2 million, but partially offset by the decrease in trade and retention receivables of approximately HK\$5.5 million and the increase in accruals and other payables of approximately HK\$4.3 million. Our bank balances and cash increased from HK\$3.5 million as at 30 April 2016 to HK\$18.7 million as at 30 September 2016, mainly attributed to (i) cash of HK\$8.0 million invested by Mr. Li in our Group on 28 September 2016; and (ii) the settlements received from our customers, which reduced our trade and retention receivables from HK\$18.2 million as at 30 April 2016 to HK\$12.6 million as at 30 September 2016. There were no restrictions to our bank balances and cash as at 30 April 2015, 2016 and 30 September 2016.

Our net current assets further increased to HK\$41.6 million as at 31 January 2017. The increase was primarily due to the increase in trade and retention receivables of HK\$17.5 million arising from work we have carried out for our customers and the trade receivables were still within the credit period we granted to them.

### Working capital

Our Directors are of the opinion that our internally generated cash flows, together with the estimated net proceeds of the Share Offer, will be sufficient to meet our present requirements, that is, for at least in the next 12 months commencing from the date of this prospectus.

### DESCRIPTION OF CERTAIN ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Trade and retention receivables

The following table is a summary of our Group's trade and retention receivables as at the dates indicated and the turnover days of trade receivables for the periods indicated:

	As at 30 April		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	4,960	11,664	5,798
Retention receivables	<u>2,984</u>	<u>6,504</u>	<u>6,832</u>
Total	<u><u>7,944</u></u>	<u><u>18,168</u></u>	<u><u>12,630</u></u>
			Five months ended
		Year ended 30 April	30 September
		2015	2016
Average trade receivables turnover days (Note)	16.8	24.5	35.7

*Note:* Average trade receivables turnover days are derived by dividing the arithmetic mean of the opening and closing balances of trade receivables by revenue for the relevant period and multiplying by 365 days (for each of the two years ended 30 April 2016) or 150 days (for the five months ended 30 September 2016).

## FINANCIAL INFORMATION

Our trade receivables mainly arise from the provision of fire safety system installation and maintenance services. Generally, we submit payment applications to our customers regularly, which set out the work we have performed. Our customers or their architects or engineers will then examine our work and issue a payment certificate after the examination. We will then issue invoices to our customers. The credit terms granted to our customers are 30 days from the date of invoices.

Our trade receivables were approximately HK\$5.0 million, HK\$11.7 million and HK\$5.8 million as at 30 April 2015 and 2016 and 30 September 2016, respectively. The increase in our trade receivables as at 30 April 2016 was in line with the increase in our revenue during the respective year.

Our average trade receivable turnover days increased from 16.8 days for the year ended 30 April 2015 to 24.5 days for the year ended 30 April 2016 and further increased to 35.7 days for the five months ended 30 September 2016, which was in line with the increase in the contract value of projects undertaken by us during the Track Record Period.

Our retention receivables were approximately HK\$3.0 million, HK\$6.5 million and HK\$6.8 million as at 30 April 2015 and 2016 and 30 September 2016, respectively. The increasing trend of our retention receivables was in line with the progress of our projects during the Track Record Period.

According to the contracts with our customers, our customers are allowed to withhold retention money to guarantee our due performance of the contracts. Typically, the amount of retention money ranges from 5% to 10% of the value of the works certified, subject to a maximum retention of 5% of the awarded contract sum. The retention money is released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

The following table is an ageing analysis of trade receivables based on the invoice date as at the dates indicated:

	<b>As at 30 April</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	2,673	1,442	888
31 to 60 days	1,841	1,422	862
61 to 90 days	409	7,658	2,993
91 to 180 days	36	202	404
Over 180 days	1	940	651
	4,960	11,664	5,798

## FINANCIAL INFORMATION

The following table sets out the amounts of trade receivables that were neither past due nor impaired and an ageing analysis of trade receivables that were past due but not impaired (i.e. over the credit period) as at the dates indicated:

	<b>As at 30 April</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
			<i>HK\$'000</i>
<b>Over the credit period</b>			
Within 30 days past due	1,841	1,422	862
31 to 60 days past due	409	7,658	2,993
61 to 90 days past due	36	92	210
Over 90 days past due	<u>1</u>	<u>1,050</u>	<u>845</u>
	2,287	10,222	4,910
<b>Neither past due nor impaired</b>	<u>2,673</u>	<u>1,442</u>	<u>888</u>
	<u><u>4,960</u></u>	<u><u>11,664</u></u>	<u><u>5,798</u></u>

As at 30 April 2015 and 2016 and 30 September 2016, the trade receivables that were past due but not impaired were approximately HK\$2.3 million, HK\$10.2 million and HK\$4.9 million, respectively. They were related to a number of independent customers that have a good trading record with us. Based on past experience, our management believe that these balances will be fully recoverable, and hence no provision for impairment is necessary.

Our management closely monitors the recoverability of overdue trade receivables on a regular basis and provides for impairment for these trade receivables when there are indications that the balances may not be recoverable. For each of the two years ended 30 April 2016 and the five months ended 30 September 2016, we did not recognise any impairment of trade receivables. As at the Latest Practicable Date, 98.5% of our trade receivables as at 30 September 2016 were settled. Our Directors confirm that we have no disputes with our customers in respect of the work performed and the outstanding receivables will be fully recoverable.

### **Amounts due from/to customers for contract works**

Our revenue from the provision of fire system installation and maintenance services is recognised based on the stage of completion of the relevant projects. Where contract costs incurred to date plus recognised profits less recognised losses, if any, exceed progress billings, the surplus is presented as an amount due from customers for contract works. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, if any, the surplus is presented as an amount due to customers for contract works.

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The following table sets out the details of our amounts due from/to customers for contract work as at the dates indicated:

	<b>As at 30 April</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
Contract costs incurred plus recognised profits			
less recognised losses	101,476	170,554	211,245
Less: Progress billings	<u>(93,017)</u>	<u>(157,351)</u>	<u>(197,277)</u>
	<u>8,459</u>	<u>13,203</u>	<u>13,968</u>
 <b>Represented by:</b>			
Amounts due from customers for contract work	10,291	15,553	17,974
Amounts due to customers for contract work	<u>(1,832)</u>	<u>(2,350)</u>	<u>(4,006)</u>
	<u>8,459</u>	<u>13,203</u>	<u>13,968</u>

Our amounts due from customers for contract work were HK\$10.3 million, HK\$15.6 million and HK\$18.0 million as at 30 April 2015 and 2016 and 30 September 2016, respectively. The increase as at 30 April 2016 was mainly attributed to two large-scale projects (provision of fire service system installation services for a railway station in Kai Tak and a data centre in Tseung Kwan O) undertaken by our Group during the respective year. Part of our work performed for these two projects during the year ended 30 April 2016 was certified by our customers subsequent to the end of reporting period. Amounts due from customers for contract work as at 30 September 2016 remained stable at HK\$14.0 million and they were mainly related to a number of installation projects which commenced work near period-end, but the relevant work was certified by our customers subsequent to 30 September 2016. As at the Latest Practicable Date, the subsequently billed amount related to the amounts due from customers for contract work as at 30 September 2016 were HK\$13.7 million, representing 76.1% of the total amounts due from customers for contract work.

Our amounts due to customers for contract work were HK\$1.8 million, HK\$2.4 million and HK\$4.0 million as at 30 April 2015 and 2016 and 30 September 2016, respectively. They were mainly attributed to our small-scale projects which we had billed them an up-front amount for the costs of materials for application in the projects.



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### Trade, bills and retention payables

The following table is a summary of our Group's trade, bills and retention payables as at the dates indicated and the turnover days of trade and bills payables for the periods indicated:

	As at 30 April		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	5,895	7,370	5,599
Bills payables	1,008	—	—
	6,903	7,370	5,599
Retention payables	2,006	5,102	5,419
	8,909	12,472	11,018
			<b>Five months ended</b>
	<b>Year ended 30 April</b>		<b>30 September</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
Average trade and bills payables turnover days (Note)	25.3	25.0	32.1

*Note:* Average trade and bills payables turnover days are derived by dividing the arithmetic mean of the opening and closing balances of trade and bills payables by cost of sales for the relevant period and multiplying by 365 days (for each of the two years ended 30 April 2016) or 150 days (for the five months ended 30 September 2016).

Our trade and bills payables are mainly related to the outstanding payments to (i) our subcontractors for the work carried out on our behalf; and (ii) our suppliers for the procurement of materials.

Our subcontractors and suppliers generally grant credit period of 30 days to us. Our trade and bills payables were approximately HK\$6.9 million, HK\$7.4 million and HK\$5.6 million as at 30 April 2015 and 2016 and 30 September 2016, respectively. The increase in our trade and bills payables as at 30 April 2016 was in line with the increase in our cost of sales during the relevant period.

Our average trade and bills payables turnover days for each of the two years ended 30 April 2016 and the five months ended 30 September 2016 were 25.3 days, 25.0 days and 32.1 days, respectively.

Our retention payables were approximately HK\$2.0 million, HK\$5.1 million and HK\$5.4 million as at 30 April 2015 and 2016 and 30 September 2016, respectively. The increasing trend of our retention payables was in line with the increase of our contract costs during the Track Record Period. According to the contracts with our subcontractors, we are allowed to withhold retention money to guarantee their

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work quality. Typically, the amount of retention money is 10% of the contract sum. The retention money is released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

The following table is an ageing analysis of trade and bills payables based on the invoice date as at the dates indicated:

	<b>As at 30 April</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
Within 30 days	2,976	4,321	3,127
31 to 60 days	2,838	2,471	1,765
61 to 90 days	909	368	283
Over 90 days	180	210	424
	6,903	7,370	5,599

As at the Latest Practicable Date, all of our trade and bills payables as at 30 September 2016 were settled.

### **Tax payable**

Our Group's tax payable as at 30 April 2015 and 2016 and 30 September 2016 amounted to approximately HK\$1.9 million, HK\$3.8 million and HK\$4.6 million, respectively. Our tax paid for the respective periods amounted to HK\$0.3 million, HK\$0.8 million and nil, respectively. The significant difference between the tax provision made by our Group and the tax paid by our Group for the Track Record Period was attributable to the timing difference between our Group making its tax provision and tax payment. Our year-end date is 30 April and the tax payment for each financial year (which consists of both final tax for that year of assessment and provisional tax for the following year of assessment) is due in November or December of the following year. The tax payment made in each financial year was related to the final tax for the financial year prior to the preceding financial year and provisional tax for the preceding financial year.

Subsequent to the Track Record Period, we paid income tax of HK\$1.9 million in November 2016. This payment mainly represented (i) the final tax for the year of assessment 2015/16 (i.e. our financial year ended 30 April 2015) of HK\$0.2 million and provisional tax for the year of assessment 2016/17 (i.e. our financial year ended 30 April 2016) of HK\$0.7 million and (ii) undercharged tax of HK\$0.9 million further mentioned below.

We had, during the course of preparing for the Listing, identified errors in the financial statements of our operating subsidiary, Windmill Engineering, for the years prior to the year ended 30 April 2016. There were a total of 15 installation projects and seven maintenance projects remained on-going as at 30 April 2014. The errors were non-recurring accounting errors relating to nine out of 15 installation and seven maintenance projects which commenced during the year ended 30 April 2014 and remained on-going as at 30 April 2014 on the recognition of contract revenue and corresponding costs. Our

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accounting clerk did not possess professional accounting qualification and experience and either recognise (i) sales and costs based on actual billings amounts or payment certificates from customers available or (ii) when the projects were completed without ascertaining the actual stage of completion of the projects from the project team. As it takes time for some of our customers to certify payments certificates, there may be a lag behind of recognition of revenue and costs to the corresponding periods, which resulted in the above accounting errors. No similar accounting errors were identified for the remaining six installation projects as at 30 April 2014 as we have already received all payment certificates for the work performed for these six projects during the respective year which reflected the actual stage of completion of the projects. The abovementioned errors resulted in an understatement of profits and non-compliance of applicable accounting standard. As a result of the foregoing, there was understatement in the assessable profits reported in the tax returns filed to the IRD for the two years ended 30 April 2015 by Windmill Engineering.

Upon revealing of the errors, Windmill Engineering has rectified its accounts for each of the two years ended 30 April 2015 adopting appropriate accounting policies to recognise revenue on the stage of completion basis. These rectifications include the adjustments on Windmill Engineering's opening balances including retained profits as at 1 May 2014 (adjusted for errors prior to 1 May 2014) and its net profits for the two years ended 30 April 2015 in the amount of approximately HK\$2.1 million and HK\$2.7 million, respectively. Our Reporting Accountants have performed appropriate procedures on the retained profits and opening balances on the statement of financial position of Windmill Engineering as at 1 May 2014 including the review of the project summary containing details of all projects undertaken by Windmill Engineering and identify the projects which commenced on or before 30 April 2014 and remained ongoing after the same date to assess if there are any accounting errors on contract revenue and their corresponding costs. Based on the above procedures performed, no material findings were identified by the Reporting Accountants. We have employed Mr. Yim Ping Kuen ("Mr. Yim"), a certified public accountant, as financial controller to review our Group's accounting records, including the accounting records prior to the Track Record Period, where no such accounting errors requiring further adjustments were identified. Mr. Yim also reviewed our accounting records during the Track Record Period and up to the Latest Practicable Date and found that the contract revenue and corresponding costs for all other projects have been recognised by reference to the stage of completion and no similar accounting errors were identified.

We also engaged our Tax Adviser to review our tax position for the relevant years. Our Tax Adviser has reviewed prior years' tax filing records of Windmill Engineering for the years of assessment 2014/15 and 2015/16, including its respective profits tax returns, profit tax computations, notices of assessment and audited financial statements. Pursuant to the statutory requirements of the IRO and other relevant legal principles established in the precedent court case, the profits tax position of our Group for the relevant years should be computed based on the accounts ascertained in accordance with the prevailing generally accepted principles of commercial accounting and should not be inconsistent with any provision in the IRO. On such basis and taking into account that our statutory auditor and Reporting Accountants did not issue any qualified opinion on our opening balances (including our retained profits as at 1 May 2014), our Tax Adviser concurred that there should be no corresponding adjustments, error, omission, or understatement of our Group's assessable profits in the years prior to 30 April 2014 from tax perspective, the tax position of our Group for the years prior to 30 April 2014 remains unaffected and valid.

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Our Tax Adviser has assisted Windmill Engineering to submit voluntarily its revised tax computations (“**Revised Tax Computations**”) for the years of assessment 2014/15 and 2015/16 to the IRD with rectified financial figures on 1 November 2016. The IRD issued additional assessments for 2014/15 and 2015/16 to the Company on 29 November 2016 endorsing the relevant Revised Tax Computations and the additional final tax for 2014/15 and 2015/16 reassessed has been duly settled by Windmill Engineering.

Based on our Tax Adviser’s assessment, for each of the two years ended 30 April 2015, the amount of tax undercharged were HK\$0.4 million and HK\$0.5 million respectively and provision has been made for these undercharged tax amounts in the corresponding financial years.

Based on the Tax Opinion, there was a risk that Windmill Engineering might be charged by the IRD under sections 80(2) or 82A of the IRO. The maximum exposure under institution of section 80(2) of the IRO is a fine of HK\$10,000 and treble the amount of tax undercharged. The maximum exposure under institution of section 82A of the IRO is a fine of treble the amount of tax undercharged. Accordingly, the potential exposure of Windmill Engineering was HK\$2.9 million. However, our Tax Adviser was in the opinion that it was unlikely for the IRD to impose the maximum tax penalty on Windmill Engineering for the understatement of profits and underpayment of tax for the relevant years after considering that (i) the tax incident was the result of inadvertent oversight of our accounting staff during the preparation of the relevant statutory financial statements, which was neither deliberate nor intentional; (ii) Windmill Engineering has voluntarily made full disclosure to the IRD on the tax incident; and (iii) no similar offence has been committed by Windmill Engineering in the past. Based on the Tax Opinion, the management of our Group considered that the likelihood of being imposed with the maximum penalty was remote and hence no provision for such amount has been made to the financial statements of our Group for the Track Record Period.

According to our Tax Adviser, the IRD has the power under section 80(5) of the IRO to compound the above matter that it may accept Windmill Engineering paying interests for the undercharged tax in lieu of taking proceedings against it under the IRO. On this basis, our Tax Adviser offered such proposal on behalf of Windmill Engineering to the IRD proposing the payment of estimated interests in the amount of HK\$34,000 to the IRD (“**Proposal**”) together with the Revised Tax Computations which was subject to the acceptance by the IRD. The Proposal was accepted by the IRD on 1 March 2017 subject to the due payment of HK\$34,000 to the IRD, and such amount has been duly settled by Windmill Engineering. According to our Tax Adviser, the matter has become conclusive upon the IRD’s acceptance of the Proposal and due settlement by Windmill Engineering of such interests, and no proceeding would be taken against Windmill Engineering under the IRO regarding the above matter.

In any event, our Controlling Shareholders have provided indemnity under the Deed of Indemnity in favour of our Group from and against, among other things, any tax liability (including undercharged tax, if any) which might be payable by any member of our Group in respect of, amongst other matters, any income, profits or gains earned, accrued or received up to the Listing Date. For detailed terms of the Deed of Indemnity, please refer to the subsection headed “Statutory and General Information — E. Other Information — 1. Tax and other indemnities” of Appendix IV to this prospectus.

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To avoid similar incidents happening, we have adopted the following measures:

- (a) adopted written policies detailing the relevant accounting standards and procedures in respect of the recognition of contract revenue from installation and maintenance contracts including having monthly meeting with the project managers to understand the stage of completion of each project for appropriate recognition of revenue and costs;
- (b) employed Mr. Yim, a certified public accountant, as our financial controller in September 2016, to oversee the accounting department and monitor financial reporting procedures to ensure the adoption of proper accounting policies. Please refer to the subsection headed “Directors and Senior Management — Senior Management” in this prospectus for the biography of Mr. Yim;
- (c) Mr. Yim shall review the monthly management accounts prepared by the accounting team and involved in preparation of financial statements of the Group to ensure that they are prepared in accordance with the HKFRSs, which will then be reviewed and approved by the Board of Directors;
- (d) regularly arrange its accounting team to attend training courses organised by accounting professional to enhance their accounting knowledge and to ensure compliance with accounting standards; and
- (e) Mr. Yim will also be responsible for reviewing the tax returns filed with the IRD, and if necessary, tax consultant will be consulted to ensure tax related laws and requirements are complied with.

Our internal control consultant, an Independent Third Party, has reviewed the above internal control policy where no material control deficiency has been identified and is satisfied that we have effective control measures to ensure ongoing compliance with the financial reporting standards.

### *Views of our Directors and our Sole Sponsor*

Having considered the background leading to the tax incident mentioned above and the views from our internal control consultant on our Group’s internal control system, our Directors are of the view, and our Sole Sponsor concurs, based on its due diligence conducted, that (i) the various internal control measures adopted by our Group are adequate and effective; and (ii) the tax incident identified does not materially affect the suitability for our Company’s listing under Rule 11.06 of the GEM Listing Rules.

### **Amount due from a director**

The amount due from a Director is unsecured, interest-free, repayable on demand and non-trade in nature. The amount due from a director amounted to nil, HK\$0.6 million and HK\$0.6 million as at 30 April 2015 and 2016 and 30 September 2016, respectively, and was fully settled in October 2016.

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### RELATED PARTY TRANSACTIONS

With respect to the related parties disclosed in note 35 to the Accountants' Report, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favorable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

### CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditure of approximately HK\$0.1 million, HK\$0.2 million and HK\$0.1 million for the purchase of plant and equipment, respectively. These capital expenditures were funded by the cash flows from our operating activities.

### OPERATING LEASE COMMITMENTS

Our Group's office premises and warehouse in Hong Kong are under operating lease arrangement for lease term ranging from one to three years.

As at 30 April 2015 and 2016 and 30 September 2016, our Group had total future minimum lease payments under non-cancellable operating leases falling due at follows:

	As at 30 April		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Within one year	318	568	498
In the second to fifth years, inclusive	<u>—</u>	<u>206</u>	<u>24</u>
	<u>318</u>	<u>774</u>	<u>522</u>

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### INDEBTEDNESS

#### Bank borrowing

The following table sets out our bank borrowing as at the dates indicated:

	As at 30 April 2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	As at 30 September 2016 <i>HK\$'000</i>	As at 31 January 2017 <i>HK\$'000</i> (Unaudited)
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreement)				
Within one year	618	651	671	451
After one year but within two years	651	288	—	—
After two years but within five years	288	—	—	—
Bank borrowing with a repayment on demand clause and classified under current liabilities ( <i>Note</i> )	1,557	939	671	451

*Note:* According to the relevant bank loan agreement, our outstanding bank borrowing as at 30 April 2015 and 2016, 30 September 2016 and 31 January 2017 were subject to a repayment on demand clause, and hence they were classified as current liabilities in accordance with the relevant accounting standard.

In order to minimise our finance costs, we repaid certain portion of our bank borrowing during the Track Record Period. As at 30 April 2015, 30 April 2016, 30 September 2016 and 31 January 2017, our outstanding bank borrowing were approximately HK\$1.6 million, HK\$0.9 million, HK\$0.7 million and HK\$0.5 million, respectively. Our bank borrowing was denominated in HKD and subject to finance costs at Prime Lending Rate plus 0.5% (i.e. 5.5%) during the Track Record Period and at 31 January 2017, and were secured by (i) certain properties owned by Mr. Li; (ii) personal guarantee given by Mr. Li; and (iii) the guarantee issued by a mortgage company owned by the Government. In November 2016, we obtained consent letter from the relevant bank and it agreed to release the aforesaid guarantees upon Listing, provided that they will be replaced by the corporate guarantee from our Company and a pledged deposit of HK\$8.5 million (or its 111% equivalent in a foreign currency to be approved by the bank). Our Directors confirm that we will release all such personal guarantees and collateral security before Listing. As at 31 January 2017, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, we had banking facilities of approximately HK\$18.5 million, of which approximately HK\$15.4 million remained unutilised. Our Directors confirm that there is no material change to our Group's indebtedness and contingent liabilities after 31 January 2017.

The agreement under our bank borrowing does not contain any material covenants that will have a material adverse impact on our ability to make additional borrowings or issue debt or equity securities in the future.

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### Obligation under a finance lease

During the Track Record Period, we acquired a motor vehicle by way of a finance lease arrangement mainly through a bank and motor vehicle provider. The finance lease arrangement was secured by the motor vehicle.

As at 30 April 2015, 30 April 2016, 30 September 2016 and 31 January 2017, our total finance lease obligation (including both current and non-current portions) were approximately nil, nil, HK\$248,000 and HK\$219,000, respectively. The carrying amounts of the finance lease obligation are denominated in HK\$.

	As at 30 April 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>	As at 30 September 2016 <i>HK\$'000</i>	As at 31 January 2017 <i>HK\$'000</i> (Unaudited)
<b>Amounts payable under a finance lease</b>				
Within one year	—	—	104	104
More than one year and not more than two years	—	—	104	104
More than two years and not more than five years	—	—	61	26
	—	—	269	234
Less: future finance charges	—	—	(21)	(15)
Present value of obligation under a finance lease	<u>—</u>	<u>—</u>	<u>248</u>	<u>219</u>



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The present values of finance lease liabilities are as follows:

	As at 30 April		As at 30 September	As at 31 January
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Within one year	—	—	92	94
More than one year and not more than two years	—	—	97	99
More than two years and not more than five years	—	—	59	26
	<u>—</u>	<u>—</u>	<u>248</u>	<u>219</u>

The obligation under a finance lease carried interest at 6.21% per annum during the Track Record Period.

### Amount due to a Director

As at 30 April 2015, 30 April 2016, 30 September 2016 and 31 January 2017, our Group had amount due to a Director of HK\$18,000, nil, nil and nil, respectively. The amount due to a Director was unsecured, interest-free and repayable on demand.

Except as described above and apart from intra-group liabilities and normal trade payables, as at 31 January 2017, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there had been no defaults by our Group in payment of its bank borrowing and other liabilities during the Track Record Period.

### CONTINGENT LIABILITIES

As at 30 April 2015, 30 April 2016, 30 September 2016 and 31 January 2017, performance bonds of approximately HK\$1.0 million, HK\$0.9 million, HK\$1.7 million and HK\$2.6 million (unaudited) were given by the bank in favour of some of our customers as security for the due performance and observance of our obligations under the contracts entered into between us and our customers. If our Group fails to provide satisfactory performance to our customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. Our Group will then become liable to compensate such bank accordingly. The performance bonds will be released upon completion of the contract work. The performance bonds were granted under the banking facilities with details as set out in note 33 to the Accountants' Report. At the end of the Track Record Period, our Directors do not consider it probable that a claim will be made against our Group, and hence no provision was made for the guarantees in respect of the aforesaid performance bonds.

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Our Directors confirm that there was no material change to our Group's indebtedness and contingent liabilities after 31 January 2017 and up to the Latest Practicable Date.

### MAJOR FINANCIAL RATIOS

The table below sets forth our major financial ratios as at the dates indicated:

	Year ended 30 April		Five months ended 30 September
	2015	2016	2016
Current ratio ( <i>Note 1</i> )	1.7	2.0	2.1
Gearing ratio ( <i>Note 2</i> )	14.7%	4.7%	3.4%
Debt to equity ratio ( <i>Note 3</i> )	N/A	N/A	N/A
Interest coverage ( <i>Note 4</i> )	51.1	108.4	7.8
Return on assets ( <i>Note 5</i> )	24.7%	31.8%	N/A ( <i>Note 7</i> )
Return on equity ( <i>Note 6</i> )	59.9%	64.8%	N/A ( <i>Note 7</i> )

*Notes:*

1. Current ratio is calculated by dividing current assets by current liabilities.
2. Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include payables incurred not in the ordinary course of business.
3. Debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined to include all borrowings net of cash and cash equivalents.
4. Interest coverage is calculated by dividing profit before interest and tax by interest.
5. Return on assets is calculated by dividing net profit for the year/period by the closing balance of total assets.
6. Return on equity is calculated by dividing net profit for the year/period by the closing balance of total equity.
7. Return on assets and return on equity are calculated on a full year basis.

#### Current ratio

Our current ratio remained relatively stable at 1.7, 2.0 and 2.1 as at 30 April 2015 and 2016 and 30 September 2016.

#### Gearing ratio

Our gearing ratio decreased from 14.7% as at 30 April 2015 to 4.7% as at 30 April 2016, and further decreased to 3.4% as at 30 September 2016, mainly due to the repayment of our bank borrowing.

#### Debt to equity ratio

We had a net cash position as at 30 April 2015 and 2016 and 30 September 2016.

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### Interest coverage

Our interest coverage increased from 51.1 times for the year ended 30 April 2015 to 108.4 times for the year ended 30 April 2016. The significant improvement was mainly due to the increase in our net profit from HK\$6.4 million for the year ended 30 April 2015 to HK\$12.8 million for the year ended 30 April 2016. Our interest coverage for the five months ended 30 September 2016 was 7.8 times, which was mainly attributed to the decrease in our net profit before interest and tax resulting from the recognition of listing expenses.

### Return on assets

Return on assets was 24.7% and 31.8% for each of the two years ended 30 April 2016, respectively. The increase in our return on assets for the year ended 30 April 2016 was primarily due to the increase in our net profit.

### Return on equity

Return on assets was 59.9% and 64.8% for each of the two years ended 30 April 2016, respectively. The increase in our return on assets for the year ended 30 April 2016 was primarily due to the increase in our net profit.

## QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to interest rate risk, credit risk and liquidity risk in the ordinary course of our business. For further details of our financial risk management, please refer to note 7b to the Accountant's Report.

We receive contract sums for our work in Hong Kong dollars, and pay raw materials costs and subcontracting fees to our suppliers and subcontractors also in Hong Kong dollars. Hence, we are not exposed to any foreign exchange risk or liabilities.

## DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation, save for investment holding and the transactions related to the Reorganisation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at the Latest Practicable Date.

## LISTING EXPENSES

The total estimated listing expenses in connection with the Share Offer (including underwriting commission) was approximately HK\$22.5 million, assuming the Offer Size Adjustment Option is not exercised and based on the mid-point of the indicative Offer Price range.

For the five months ended 30 September 2016, our Group incurred listing expenses of approximately HK\$4.1 million, which were fully charged to the profit or loss. For the year ending 30 April 2017, we estimate that the listing expenses to be incurred will amount to approximately HK\$22.5

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million, of which approximately HK\$15.0 million will be charged to profit or loss and the remaining approximately HK\$7.5 million will be charged against equity upon successful Listing under the relevant accounting standards.

### **DIVIDEND**

Dividends may be paid out by ways of cash or by other means we consider appropriate. For each of the two years ended 30 April 2016 and five months ended 30 September 2016, our Group declared dividends of HK\$3.0 million, HK\$3.8 million and nil, respectively. All the dividends declared during the Track Record Period had been fully settled as at the Latest Practicable Date. We do not have a pre-determined dividend payout ratio. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the Memorandum and Articles of Association including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

### **PROPERTY INTERESTS**

We did not own any properties during the Track Record Period and up to the Latest Practicable Date. For details of our leased property, please refer to the subsection headed “Business — Properties” in this prospectus.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 September 2016, the end of period reported in the Accountants’ Report, and there has been no event since 30 September 2016 which would materially affect the information shown in the Accountants’ Report.

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### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of our Group, prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the GEM on the consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2016 as if the Share Offer had taken place on 30 September 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 30 September 2016, or at any future date following the Share Offer.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is prepared based on the consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2016 as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows.

	<b>Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2016 HK\$'000 (note 1)</b>	<b>Estimated net proceeds from the Share Offer HK\$'000 (note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company immediately after the completion of the Share Offer HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share as at 30 September 2016 HK\$ (note 3)</b>
Based on Offer Price of HK\$0.2 per Share	27,165	22,585	49,750	0.06
Based on Offer Price of HK\$0.4 per Share	27,165	60,585	87,750	0.11

*Notes:*

1. The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2016 is extracted from the Accountants' Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 200,000,000 new shares and the Offer Price of HK\$0.2 or HK\$0.4 per Share (being the low-end or high-end of the indicative Offer Price range) amounted to approximately HK\$22,585,000 and HK\$60,585,000 respectively, after deducting the underwriting fees and other related expenses payable by our Group in relation to the Share Offer, other than listing expenses which had been

## FINANCIAL INFORMATION

recognised in consolidated statement of profit or loss and other comprehensive income for the five months ended 30 September 2016. The estimated net proceeds do not take into account any shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme as described in the subsection headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

3. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share is arrived at after adjustment for the estimated net proceeds from the Share Offer as described in note 2 and on the basis that a total of 800,000,000 Shares were in issue as at 30 September 2016 (including Shares in issue as at the date of this prospectus and those Shares are expected to be issued pursuant to the Share Offer and the Capitalisation Issue, but not taking into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).
4. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company and the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share as at 30 September 2016 have not taken into account the special dividend of approximately HK\$628,000 declared on 5 October 2016 for payment to the Controlling Shareholder of our Group and the issue of 2,999 Shares at a cash consideration of HK\$12,000,000 to the Pre-IPO investor on 7 October 2016. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company would have been increased to approximately HK\$61,122,000 and HK\$99,122,000 and the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share would have been increased to HK\$0.08 and HK\$0.12 per Share, based on the Share Offer Price at the low-end or high-end of the indicative price range of HK\$0.2 or HK\$0.4 per Share respectively.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company to reflect any trading results or other transactions of our Group entered into subsequent to 30 September 2016.

## SOLE SPONSOR'S INTEREST

Save: (i) as disclosed in the subsection headed “Underwriting — Commission and expenses” in this prospectus, (ii) for the advisory and documentation fees to be paid to the Sole Sponsor in connection with the Listing, and (iii) for the fee to be paid to the Joint Bookrunners for its obligations under the Underwriting Agreements and any interest in securities that may be subscribed by it and/or its associates pursuant to the Share Offer, neither the Sole Sponsor, the Joint Bookrunners nor any of their respective associates has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or, as a result of the Share Offer, may have any interest in any class of securities of our Company or other member of our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of the Sole Sponsor has a directorship in our Company or any other member of our Group.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of 20,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the subsection headed “Structure and Conditions of the Share Offer — the Public Offer” below; and
- (ii) the Placing of an aggregate of 180,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below).

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue.

### PRICING AND ALLOCATION

#### Determination of the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Friday, 7 April 2017, by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

#### Offer Price range

The Offer Price will not be more than HK\$0.4 per Offer Share and is expected to be not less than HK\$0.2 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, lower 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\$0.4 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\$4,040.31 per board lot of 10,000 Offer Shares.



## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.4 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 Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 7 April 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.

### **Changes to Offer Price range**

The Joint Bookrunners (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, 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 for lodging applications under the Public Offer, cause there to be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.windmill.hk](http://www.windmill.hk) notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive. 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 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 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 Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

### **ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS**

Announcement of the final Offer Price, together with the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on 13 April 2017 (a) in The Standard (in English) and Hong Kong Economic Journal (in Chinese); (b) on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk); and (c) our Company’s website at [www.windmill.hk](http://www.windmill.hk).

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer and Shares will fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme on GEM and such approval not having been withdrawn;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and
- (iii) the Offer Price having been determined and the execution of the related agreement on or before the Price Determination Date,

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 the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company on the websites of our Company and the Stock Exchange at [www.windmill.hk](http://www.windmill.hk) and [www.hkexnews.hk](http://www.hkexnews.hk) respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to apply for Public Offer Shares — 13. Refund of application monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on 13 April 2017 and will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Public Offer Underwriting Arrangements and Expenses — Grounds for termination” has not been exercised at or before that time.

The Shares will be traded in board lots of 10,000 Shares each and the stock code of the Shares will be 8409.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE PUBLIC OFFER

Our Company is initially offering 20,000,000 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 assuming the Offer Size Adjustment Option is not exercised. The Public Offer is fully underwritten by the Public Offer Underwriters.

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.

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 10,000,000 Public Offer Shares, being the 50% of the 20,000,000 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 Bookrunners (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 60,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

## STRUCTURE AND CONDITIONS OF 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 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (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 100,000,000 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 Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Bookrunners (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.

The Offer Shares to be offered in the Public Offer and the Placing may be re-allocated as between these offerings at the discretion of the Joint Bookrunners. If either the Public Offer or the Placing is not fully subscribed, the Joint Bookrunners have the authority to re-allocate any or all unsubscribed Offer Shares from such offering to the other in such proportions as the Joint Bookrunners deem appropriate.

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Thursday, 13 April 2017.

### **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.

### **PLACING**

#### **Number of the Placing Shares**

The number of the Offer Shares to be initially offered for subscription under the Placing will be 180,000,000 new Shares representing 90% of the Offer Shares initially available under the Share Offer (subject to re-allocation and the Offer Size Adjustment Option). Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer assuming the Over Size Adjustment Option is not exercised. The Placing is expected to be fully underwritten by the Placing Underwriters.

### **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 subsection headed "Structure and Conditions of the Share Offer — Pricing and allocation" in this prospectus, 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 Bookrunners (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 Bookrunners 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.

### **Offer Size Adjustment Option**

In connection with the Share Offer, we are expected to grant the Offer Size Adjustment Option to the Placing Underwriters under the Placing Underwriting Agreement. The Offer Size Adjustment Option would be exercisable by the Joint Bookrunners (for and on behalf of the Placing Underwriters) on or before 13 April 2017 at their sole and absolute discretion, to require the Company to allot and issue up to 30,000,000 additional new Shares, representing 15.0% of the Shares initially available for subscription under the Share Offer, on the same terms as those applicable to the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the sole and absolute discretion of the Joint Bookrunners.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Placing Underwriters to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be affected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

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

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date.

If the Offer Size Adjustment Option is exercised in full, the additional 30,000,000 Shares will represent approximately 3.61% of the Company's enlarged share capital respectively immediately after completion of the Placing and the exercise of the Offer Size Adjustment Option. The additional net proceeds received from the placing of the additional Shares allotted and issued upon exercise of the Offer Size Adjustment Option will be allocated in accordance with the allocations as disclosed in the section headed "Future plans and use of proceeds".

Subject to the terms and conditions of the Placing Underwriting Agreement, the Placing Shares are expected to be fully underwritten by the Placing Underwriters.

The Underwriters or agents nominated by them on behalf of our Company will conditionally place the Placing Shares at the Offer Price plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy with professional, institutional and private investors anticipated to have a sizeable demand for the Placing Shares. Conditionally upon complying with the relevant rules and regulations, the Placing Shares can be placed with private investors in Hong Kong. Professional and/or institutional investors generally include dealers, brokers, 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.

### **DEALING**

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on 18 April 2017. Our Shares will be traded in board lot of 10,000 Shares each.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

# UNDERWRITING

## UNDERWRITERS

### Joint bookrunners and Joint Lead Managers

Dakin Securities Limited

Get Nice Securities Limited

Opus Capital Limited

### Placing Underwriters

Dakin Securities Limited

Get Nice Securities Limited

Opus Capital Limited

### Public Offer Underwriters

Dakin Securities Limited

Get Nice Securities Limited

Opus Capital Limited

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and Joint Lead Managers (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement to be entered into.

## PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

### The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

## UNDERWRITING

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

### *Grounds for termination*

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) have the right, in their sole and absolute discretion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement if they see fit upon the occurrence of, but not limited to any of the following events:

- (a) there has come to the notice of the Joint Bookrunners that:
  - (i) any statement contained in this prospectus or the Application Forms, considered by the Joint Bookrunners (for themselves and or behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material in relation to the Share Offer, was, when it was issued, or has become, untrue, incorrect or misleading in any material respect or that any estimates, forecasts, expressions of opinion, intention or expectation considered by the Joint Bookrunners in its sole and absolute discretion to be material to the Share Offer expressed in this prospectus or the Application Forms, are not, in the sole and absolute opinion of the Joint Bookrunners, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus or the Application Forms, constitute an omission therefrom considered by the Joint Bookrunners in their sole and absolute opinion to be material in the context of the Share Offer; or
  - (iii) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement (other than the Sole Sponsor or any Public Offer Underwriter); or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the warrantors pursuant to the Public Offer Underwriting Agreements; or
  - (v) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any Group company which is considered by the Joint Bookrunners in its sole and absolute opinion to be material to the Share Offer; or
  - (vi) any breach of any of the warranties in the Public Offer Underwriting Agreements by any warrantor thereunder; or



## UNDERWRITING

- (vii) approval by the Listing Division of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued under the Share Offer is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (viii) the Company withdraws this prospectus or the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Placing; or
  - (ix) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus or the Application Forms; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), swine influenza (H1N1) or such related/mutated forms) or interruption or delay in transportation); 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, or representing national, regional, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, or a fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or
  - (iii) any change in the general fund raising environment in Hong Kong or elsewhere; or
  - (iv) any new laws 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 Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group company (the “**Specific Jurisdictions**”); or
  - (v) 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 otherwise), Australia, New York (imposed at the United States federal or New York

## UNDERWRITING

state level or otherwise), London, or the PRC or any other jurisdictions relevant to any Group Company or a disruption in commercial banking or securities settlement or clearance services in Hong Kong, Australia, the PRC or any other jurisdiction relevant to any Group company; or

- (vi) the imposition of any economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on Hong Kong, the PRC, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group company; or
- (vii) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Specific Jurisdictions affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group company; or
- (x) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group company of the Companies Ordinance or any of the GEM Listing Rules or any other applicable laws; or
- (xiv) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xv) non-compliance of this prospectus or the Application Forms (and/or any other documents used in connection with the offering of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other laws applicable to the Share Offer; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other offer documents pursuant to the Companies Ordinance or the GEM Listing Rules; or

## UNDERWRITING

- (xvii) 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
- (xviii) any loss or damage sustained by any Group company (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xix) a petition or an order for the winding-up or liquidation of any Group company or any composition or arrangement made by any Group company with its creditors or a scheme of arrangement entered into by any Group company or any resolution is passed for the winding-up of any Group company or a provisional liquidator, receiver or manager to take over all the appointment of or part of the assets or undertaking of any Group company or anything analogous thereto occurs in respect of any Group company,

and which, in any of the above cases and in the opinion of Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of the Company or the Group taken as a whole or on any present or prospective shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of interest under the Share Offer; or
- (c) makes it or will make it inadvisable, inexpedient or impracticable for the Public Offer and/or the Share Offer to proceed or to market the Share Offer; or
- (d) has or will have the effect of making any part of the Public Offer Underwriting 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.

## UNDERTAKINGS

### **Undertakings to the Stock Exchange Pursuant to the GEM Listing Rules**

#### *By Our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including pursuant to the exercise of the Offer Size Adjustment Option and any options which were granted or to be granted under the Share Option Scheme) or under any of the circumstances provided under Rule 17.29 of the GEM Listing Rules.

## UNDERWRITING

### *By our Controlling Shareholders*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that, save as permitted under the GEM Listing Rules, they will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (direct or indirect interest); and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a Controlling Shareholder of our Company.

Pursuant to Note to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares beneficially owned by him or it whether directly or indirectly in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged by providing details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any shares under paragraph (i) above, when he or it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

### **Undertakings pursuant to the Public Offer Underwriting Agreement**

#### *By Our Company*

We have undertaken to each of the Sole Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue, the Adjustment Option and any options which may be granted under the Share Option Scheme, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance

## UNDERWRITING

with the requirements of the GEM Listing Rules, at any time from the date of the Public Offer Underwriting Agreement until the expiry of six months from the Listing Date (the “**First Six-month Period**”):

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein);
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction specified in subparagraphs (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

*By our Controlling Shareholders*

Each of our Controlling Shareholders has undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Company and the Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue, the Adjustment Option, it will not, and will procure that none of its close associates (as defined in the GEM Listing Rules) will, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), at any time during the First Six-month Period:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly, by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest;

## UNDERWRITING

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

In addition, during the period of six months immediately following the First Six-month Period (the “**Second Six-month Period**”), each of our Controlling Shareholders will not enter into any of the foregoing transactions described in (a), (b), (c) or (d) if, immediately following such transaction, it will cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company.

Until the expiry of the Second Six-month Period, in the event that any of our Controlling Shareholders enters into any of the foregoing transactions described in (a), (b), (c) or (d) above, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that it will, from the date of the Public Offer Underwriting Agreement up to and including the expiry of the Second Six-month Period:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of our Company or any interests therein in respect of which it is the beneficial owner, immediately inform our Company and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and
- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or securities or interests in the shares or other securities of our Company will be disposed of, immediately inform our Company, the Joint Bookrunners and the Joint Lead Managers in writing of such indications.

Our Company will inform the Stock Exchange, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and, the Company shall, if so required by the Stock Exchange or the GEM Listing Rules, disclose such matters by way of an announcement and shall comply with all the requirements in accordance with the GEM Listing Rules as soon as possible.

Each of our Company and our Controlling Shareholders agrees and undertakes that each of them will not, and each Controlling Shareholder further undertakes to procure that Company will not, effect any transactions, at any time within the First Six Months Period, which may reduce the holding of

## **UNDERWRITING**

Shares in “public hands” (as such expression means under the GEM Listing Rules) below the relevant prescribed minimum percentage (25%) as is set out in and calculated in accordance with the GEM Listing Rules without first having obtained the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters).

### **Undertaking by Pre-IPO Investor**

The Pre-IPO Investor has executed a letter of undertaking in favour of our Company and the Joint Bookrunners, pursuant to which the Pre-IPO Investor shall not dispose of any of the Shares held by it for a period of 12 months commencing on the Listing Date.

### **PLACING**

In connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, inter alia, the Placing Underwriters on or around the Price Determination Date, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement.

Potential investors should note that if the Placing Underwriting Agreement is not entered into or is terminated, 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 in accordance with its terms. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement.

### **COMMISSION AND EXPENSES**

The Underwriters are expected to receive an underwriting commission of 5.0% of the aggregate Offer Price of all the Offer Shares, under which the Underwriters may pay any sub-underwriting or placing commission in connection with the Share Offer. The Sole Sponsor will, in addition, receive a combined sponsorship, financial advisory and documentation fee of an amount separately agreed between the Company and the Sole Sponsor. The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer (assuming the Offer Size Adjustment Option is not exercised), are currently estimated to be approximately HK\$22.5 million in aggregate, assuming an Offer Price of HK\$0.3, being the midpoint of the indicative Offer Price range, which will be payable by us.

### **SOLE SPONSOR’S AND UNDERWRITERS’ INTERESTS IN OUR COMPANY**

The Sole Sponsor will receive a combined sponsorship, financial advisory and documentation fee. The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Commission and expenses” in this section above.

## UNDERWRITING

Save as contemplated pursuant to the Underwriting Agreements, none of the Sole Sponsor and the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

### **Sponsor's Independence**

Dakin Capital satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- (c) 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 **HK eIPO White Form** Service Provider and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S); and
- (d) 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 or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks 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.

## HOW TO APPLY FOR 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 and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are a close associate of any of the above; and/or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR THE PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on 31 March 2017 until 12:00 noon on 7 April 2017 from:

- (a) any of the following address of the Underwriters:

Dakin Securities Limited	Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Opus Capital Limited	18/F, Fung House 19–20 Connaught Road Central Central Hong Kong
Get Nice Securities Limited	10/F Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong

## HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) or any of the following branches of DBS Bank (Hong Kong) Limited

District	Branch name	Address
Hong Kong Island	Head Office	G/F, The Center 99 Queen's Road Central Central Hong Kong
	North Point Branch	G/F, 391 King's Road North Point Hong Kong
Kowloon	Nathan Road Branch	G/F & 1/F, Wofoo Commercial Building 574–576 Nathan Road Mongkok Kowloon
New Territories	Shatin Plaza Branch	Shop 47 & 48, Level 1, Shatin Plaza No. 21–27 Sha Tin Centre Street Shatin New Territories
	Tsuen Wan Branch	G/F, 23 Chung On Street Tsuen Wan New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on 31 March 2017 until 12:00 noon on 7 April 2017 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) 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 — Windmill 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:

Friday, 31 March 2017 — 9:00 a.m. to 5:00 p.m.  
 Saturday, 1 April 2017 — 9:00 a.m. to 1:00 p.m.  
 Monday, 3 April 2017 — 9:00 a.m. to 5:00 p.m.  
 Wednesday, 5 April 2017 — 9:00 a.m. to 5:00 p.m.  
 Thursday, 6 April 2017 — 9:00 a.m. to 5:00 p.m.  
 Friday, 7 April 2017 — 9:00 a.m. to 12:00 noon

## HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 7 April 2017, the last application day or such later time as described in the paragraph headed “10. 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, you:

- undertake to execute all relevant documents and instruct and authorise our Company, the Joint Bookrunners, the Sole Sponsor 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;
- agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- 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;
- 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;
- confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- agree that none of our Company, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or 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);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Sole Sponsor, 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;
- 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 Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, and the Underwriters nor any of their respective

## HOW TO APPLY FOR PUBLIC OFFER SHARES

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;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- 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;
- warrant that the information you have provided is true and accurate;
- agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- 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;
- understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees 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;
- (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
- (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 or to the **HK eIPO White Form** Service Provider; 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

### 5. APPLYING THROUGH **HK eIPO White Form Service**

#### General

Individuals who meet the criteria in the paragraph headed “2. Who can apply for the Public Offer Shares” in this 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](http://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](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 31 March 2017 until 11:30 a.m. on Friday, 7 April 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 7 April 2017 or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

#### No multiple applications

If you 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 application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

#### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 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 monies 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 at <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.

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 Lead Managers and the Hong Kong Branch 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;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees 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 Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong



## HOW TO APPLY FOR PUBLIC OFFER SHARES

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 a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the 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 our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (a) 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;
- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and 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 final Offer Price is less than the Offer Price per Public Offer

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- (c) 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 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table or otherwise permitted 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.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 31 March 2017	—	9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Saturday, 1 April 2017	—	8:00 a.m. to 1:00 p.m. <sup>(1)</sup>
Monday, 3 April 2017	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, 5 April 2017	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Thursday, 6 April 2017	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Friday, 7 April 2017	—	8:00 a.m. <sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 31 March 2017 until 12:00 noon on Friday, 7 April 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 Friday, 7 April 2017, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic**

## HOW TO APPLY FOR PUBLIC OFFER SHARES

**application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the 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 **HK eIPO White Form** service is also only a facility provided by **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor 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 Friday, 7 April 2017.

## 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,

## HOW TO APPLY FOR PUBLIC OFFER SHARES

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 **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:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company, then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange. “Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and 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 **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table or otherwise permitted in the Application Form, or as otherwise specified on the designated website [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and 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).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 7 April 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 Friday, 7 April 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”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 13 April 2017 (a) in The Standard (in English) and Hong Kong Economic Journal (in Chinese); (b) on our Company’s website at [www.windmill.hk](http://www.windmill.hk) and (c) the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at [www.windmill.hk](http://www.windmill.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Thursday, 13 April 2017;
- (b) from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 13 April 2017 to 12:00 midnight on Wednesday, 19 April 2017;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 13 April 2017 to Thursday, 20 April 2017 (excluding Saturday, Sunday and Hong Kong public holidays); and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 13 April 2017 to Wednesday, 19 April 2017 at all the receiving bank’s designated branches.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES**

You should note the following situations in which the Public Offer Shares will not be allotted to you:

#### **(a) 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 a 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 may withdraw their applications.

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, such acceptance will be subject to the satisfaction of such conditions.

#### **(b) If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners, 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

**(c) If the allotment of the Public Offer Shares is void:**

The allotment of the Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(d) If:**

- (i) you make multiple applications or suspected multiple applications;
- (ii) 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;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) 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;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) our Company or the Joint Bookrunners believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- (viii) your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

### **13. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.4 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure 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 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, 13 April 2017.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) 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
- (b) 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 final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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, 13 April 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 order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 18 April 2017 provided that the Share Offer has become unconditional and the right of termination described in the subsection headed “Underwriting — Public Offer underwriting arrangements and expenses — Grounds for termination” 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.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Personal Collection

#### *(a) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 13 April 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 Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 13 April 2017, by ordinary post and at your own risk.

#### *(b) 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 for collection of your refund cheque(s). 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, 13 April 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, 13 April 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

#### *(i) If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

*(ii) If you are applying as a CCASS investor participant*

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 April 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.

*(c) 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 Branch 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, 13 April 2017, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 13 April 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

*(d) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of the Public Offer Shares*

For the purposes of allocating the 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, 13 April 2017 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in the paragraph headed "11. Publication of Results" above on Thursday, 13 April 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 April 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 13 April 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 initially paid on application (including brokerage, SFC transaction levy and 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, 13 April 2017.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 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 document, received from the independent reporting accountants, 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

31 March 2017

The Board of Directors  
WINDMILL Group Limited

Dakin Capital Limited

Dear Sirs,

## INTRODUCTION

We set out below our report on the financial information (the “**Financial Information**”) regarding WINDMILL Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), which comprises the consolidated statements of financial position as at 30 April 2015, 30 April 2016 and 30 September 2016 and the statement of financial position of the Company as at 30 September 2016, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years ended 30 April 2015 and 2016 and five months ended 30 September 2016 (the “**Track Record Period**”), and a summary of significant accounting policies and other explanatory information for inclusion in the prospectus of the Company dated 31 March 2017 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company (the “**Listing**”) on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 25 August 2016. Pursuant to a group reorganisation (the “**Reorganisation**”) as detailed in the section headed “History, Reorganisation and Corporate Structure” of the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 September 2016. The Company is an investment holding company and has not carried out any business since the date of its incorporation save for the aforementioned Reorganisation.

The Company and its subsidiaries have adopted 30 April as their financial year end date. As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries comprising the Group, all of which are private companies:

Name of subsidiary	Place and date of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company as at the date of this report		Principal activities
			Direct	Indirect	
Success Chariot Limited ("Success Chariot")	British Virgin Islands ("BVI") 6 July 2016	United States dollars ("US\$") 3	100%	—	Investment holding
Windmill Engineering Company Limited ("Windmill Engineering") 海鑫工程有限公司	Hong Kong 20 May 1983	Hong Kong dollars ("HK\$") 10,148,000	—	100%	Design, supply and installation of fire safety systems for buildings under construction or re- development and maintenance and repair of fire safety systems for built premises

No statutory audited financial statements have been prepared by the Company and Success Chariot since their respective dates of incorporation as there are no statutory audit requirements under the relevant rules and regulations in their respective jurisdiction of incorporation. However, for the purpose of this report, we have reviewed all the relevant transactions of these companies since their respective dates of incorporation to the date of this report and carried out such procedures as we considered necessary for inclusion of the Financial Information.

The statutory financial statements of Windmill Engineering for the year ended 30 April 2015 were audited by Tsang Kwok Wai & Co., Certified Public Accountants registered in Hong Kong. The statutory financial statements of Windmill Engineering for the year ended 30 April 2016 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Global Vision CPA Limited, Certified Public Accountants registered in Hong Kong.

For the purpose of this report, the directors of the Company have prepared the consolidated 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 an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared based on the Underlying Financial Statements with no adjustments made thereon.

#### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (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.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 September 2016.

#### **OPINION**

In our opinion, for the purpose of this report, and on the basis of preparation set out in note 2 of Section A below, the Financial Information gives a true and fair view of the financial position of the Company as at 30 September 2016 and of the consolidated financial position of the Group as at 30 April 2015 and 2016 and 30 September 2016, and of the financial performance and cash flows of the Group for the Track Record Period then ended.

**CORRESPONDING FINANCIAL INFORMATION**

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the five months ended 30 September 2015 together with the notes thereon (the “**September 2015 Financial Information**”), which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the September 2015 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our responsibility is to express a conclusion on the September 2015 Financial Information based on our review.

Our review of the September 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the September 2015 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the September 2015 Financial Information is not prepared, in all material aspects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.



## A. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 30 April		Five months ended 30 September	
		2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Revenue	8	79,882	123,989	30,765	36,699
Cost of sales		<u>(68,617)</u>	<u>(104,344)</u>	<u>(26,633)</u>	<u>(30,286)</u>
Gross profit		11,265	19,645	4,132	6,413
Other income	10	—	7	—	—
Administrative expenses		(3,444)	(4,036)	(1,376)	(6,250)
Finance costs	11	<u>(153)</u>	<u>(144)</u>	<u>(71)</u>	<u>(21)</u>
Profit before taxation		7,668	15,472	2,685	142
Taxation	12	<u>(1,246)</u>	<u>(2,636)</u>	<u>(443)</u>	<u>(774)</u>
Profit (loss) and total comprehensive income (expense) attributable to the owners of the Company for the year/period	13	<u>6,422</u>	<u>12,836</u>	<u>2,242</u>	<u>(632)</u>
Earnings per share: Basic and diluted	17	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	The Group		The Company	
		At 30 April		At 30	At 30
		2015	2016	September	September
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment in a subsidiary	18	—	—	—	14,705
Plant and equipment	19	411	397	708	—
Deposit		<u>67</u>	<u>72</u>	<u>72</u>	<u>—</u>
		<u>478</u>	<u>469</u>	<u>780</u>	<u>14,705</u>
Current assets					
Trade and retention receivables	20	7,944	18,168	12,630	—
Amounts due from customers for contract work	21	10,291	15,553	17,974	—
Deposits, prepayments and other receivables	22	1,812	2,009	2,114	50
Amount due from a director	23	—	628	628	—
Bank balances and cash	24	<u>5,508</u>	<u>3,499</u>	<u>18,709</u>	<u>—</u>
		<u>25,555</u>	<u>39,857</u>	<u>52,055</u>	<u>50</u>
Current liabilities					
Trade and retention payables	25	8,909	12,472	11,018	—
Amounts due to customers for contract work	21	1,832	2,350	4,006	—
Accruals and other payables		564	452	4,720	—
Amount due to a director	23	18	—	—	—
Amount due to a related company	23	—	17	—	—
Amount due to a subsidiary		—	—	—	50
Tax payable		1,940	3,828	4,594	—
Obligation under a finance lease	26	—	—	92	—
Bank borrowing	27	<u>1,557</u>	<u>939</u>	<u>671</u>	<u>—</u>
		<u>14,820</u>	<u>20,058</u>	<u>25,101</u>	<u>50</u>

	<i>Notes</i>	<b>The Group</b>		<b>At 30</b>	<b>The</b>
		<b>At 30 April</b>		<b>September</b>	<b>Company</b>
		<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>At 30</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>September</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
					<i>HK\$'000</i>
Net current assets		<u>10,735</u>	<u>19,799</u>	<u>26,954</u>	<u>—</u>
Total assets less current liabilities		<u>11,213</u>	<u>20,268</u>	<u>27,734</u>	<u>14,705</u>
Non-current liabilities					
Long service payment obligations	28	468	461	395	—
Obligation under a finance lease	26	—	—	156	—
Deferred tax liability	29	<u>23</u>	<u>10</u>	<u>18</u>	<u>—</u>
		<u>491</u>	<u>471</u>	<u>569</u>	<u>—</u>
Net assets		<u>10,722</u>	<u>19,797</u>	<u>27,165</u>	<u>14,705</u>
Capital and reserves					
Share capital	30	2,148	2,148	—	—
Reserves	30	<u>8,574</u>	<u>17,649</u>	<u>27,165</u>	<u>14,705</u>
Total equity		<u>10,722</u>	<u>19,797</u>	<u>27,165</u>	<u>14,705</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note 30</i> <i>(b)(i))</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2014	2,148	—	5,152	7,300
Profit and total comprehensive income for the year	—	—	6,422	6,422
Dividend recognised as distribution ( <i>note 16</i> )	—	—	(3,000)	(3,000)
At 30 April 2015 and 1 May 2015	2,148	—	8,574	10,722
Profit and total comprehensive income for the year	—	—	12,836	12,836
Dividend recognised as distribution ( <i>note 16</i> )	—	—	(3,761)	(3,761)
At 30 April 2016 and 1 May 2016	2,148	—	17,649	19,797
Loss and total comprehensive expense for the period	—	—	(632)	(632)
Issue of shares ( <i>note 30(a)</i> )	8,000	—	—	8,000
Reorganisation	(10,148)	10,148	—	—
At 30 September 2016	<u>—</u>	<u>10,148</u>	<u>17,017</u>	<u>27,165</u>
At 1 May 2015 (audited)	2,148	—	8,574	10,722
Profit and total comprehensive income for the period	—	—	2,242	2,242
At 30 September 2015 (unaudited)	<u>2,148</u>	<u>—</u>	<u>10,816</u>	<u>12,964</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 30 April		Five months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(Unaudited)	
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	7,668	15,472	2,685	142
Adjustments for:				
Depreciation of plant and equipment	200	245	96	93
Reversal of provision for long service payment	(1)	(7)	(16)	(66)
Finance costs	153	144	71	21
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Operating cash flows before movements in working capital	8,020	15,854	2,836	190
(Increase) decrease in trade and retention receivables	(4,187)	(10,224)	(5,982)	5,538
(Increase) decrease in amounts due from customers for contract work	(4,431)	(5,262)	1,390	(2,421)
Increase in deposits, prepayments and other receivables	(1,531)	(202)	(60)	(105)
Increase (decrease) in trade and retention payables	5,635	3,563	(5,034)	(1,454)
(Decrease) increase in amounts due to customers for contract work	(439)	518	3,008	1,656
(Decrease) increase in accruals and other payables	(221)	(112)	1,622	4,268
Increase (decrease) in amount due to a related company	<u>          —</u>	<u>          17</u>	<u>          —</u>	<u>          (17)</u>
Cash generated from (used in) operations	2,846	4,152	(2,220)	7,655
Hong Kong Profits Tax paid	<u>          (347)</u>	<u>          (761)</u>	<u>          —</u>	<u>          —</u>
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>	<u>          2,499</u>	<u>          3,391</u>	<u>          (2,220)</u>	<u>          7,655</u>

	<i>Notes</i>	Year ended 30 April		Five months ended 30 September	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>INVESTING ACTIVITY</b>					
Purchase of plant and equipment		<u>(149)</u>	<u>(231)</u>	<u>(113)</u>	<u>(113)</u>
<b>CASH USED IN INVESTING ACTIVITY</b>					
		<u>(149)</u>	<u>(231)</u>	<u>(113)</u>	<u>(113)</u>
<b>FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		—	—	—	8,000
Advance from a director		18	—	—	—
Advance to a director		—	(646)	(518)	—
Repayment of bank borrowing		(584)	(618)	(253)	(268)
Repayment of obligation under a finance lease		—	—	—	(43)
Interest paid		(153)	(144)	(71)	(21)
Dividend paid	16	<u>—</u>	<u>(3,761)</u>	<u>—</u>	<u>—</u>
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>					
		<u>(719)</u>	<u>(5,169)</u>	<u>(842)</u>	<u>7,668</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
		<u>1,631</u>	<u>(2,009)</u>	<u>(3,175)</u>	<u>15,210</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD</b>					
		<u>3,877</u>	<u>5,508</u>	<u>5,508</u>	<u>3,499</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>					
	24	<u><u>5,508</u></u>	<u><u>3,499</u></u>	<u><u>2,333</u></u>	<u><u>18,709</u></u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 25 August 2016. Its ultimate holding company and immediate holding company is Golden Page Investments Limited, which is incorporated in the BVI. The addresses of the registered office and the principal place of business of the Company are detailed in the section headed "Corporate Information" in this Prospectus.

The Company is an investment holding company while the principal subsidiary, Windmill Engineering is mainly engaged in design, supply and installation of fire safety systems for buildings under construction or re-development and maintenance and repair of fire safety systems for built premises.

The Financial Information are presented in HK\$, which is the same as the functional currency of the Company and its subsidiaries.

### 2. GROUP REORGANISATION AND BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

Pursuant to the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 September 2016. The companies now comprising the Group have been under the common control and beneficially owned by Mr. Li Shing Kuen, Alexander throughout the Track Record Period or since their respective dates of incorporation up to 30 September 2016. As such, the Reorganisation is effectively interspersing a shell company over the subsidiaries, in which Windmill Engineering is only operating entity of the Group, and there was a continuation of risks and benefits to the Controlling Shareholder. Accordingly, the Reorganisation has been accounted for as if the Company had always been the holding company of the Group throughout the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows 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 dates of incorporation up to 30 September 2016, whichever is the shorter period. The consolidated statements of financial position of the Group as at 30 April 2015, 30 April 2016 and 30 September 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.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied HKFRSs issued by the HKICPA and the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) which are effective for the Group's financial year beginning on 1 May 2016 and throughout the Track Record Period.

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 <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to Hong Kong Accounting Standard ("HKAS") 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 15	Clarification to HKFRS 15 <i>Revenue from Contracts with Customers</i> <sup>2</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.
- <sup>4</sup> 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 to include 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 below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required 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 liability's 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 at 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 directors of the Company made an assessment on the financial impact on the Financial Information resulting from the adoption of HKFRS 9. Based on analysis of the Group's financial instruments as at 30 September 2016, the directors of the Company considered that the replacement of incurred loss impairment model in HKAS 39 with the expected credit loss model required in HKFRS 9 may result in early and additional provision of credit losses on the Group's financial assets measured at amortised costs including the trade and retention receivables. The credit losses will be recognised in the consolidated statement of profit or loss and other comprehensive income. The directors of the Company concluded that the impact is not significant under the assessment of probability-weighted estimate of credit losses over the expected life of the Group's financial assets measured at amortised costs, with reference to the historical credit loss experience of trade and retention receivables and the estimates of future economic conditions.

#### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of 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 become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company are in the process of assessing the potential impact on the Financial Information resulting from the adoption of HKFRS 15. So far they have anticipated that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected by the new standard for contracts from (i) design, supply and installation; and (ii) maintenance and repairs, which contain two or more performance obligations, in which the revenue recognition will be accounted for separately in accordance with the timing of satisfaction of performance obligations, and more disclosures relating to revenue is required.

**HKFRS 16 Leases**

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16.

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. The total operating lease commitment of the Group in respect of leased premises with terms more than 12 months as at 30 September 2016 amounted to HK\$522,000.

**Amendments to HKAS 7 Disclosure Initiative**

The amendments to HKAS 7 require entities to provide disclosure 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.

To satisfy such requirements, an entity shall disclose (to the extent necessary) the changes in liabilities arising from financing activities including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes.

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities. In addition, the disclosure requirement also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The amendments state that one way to fulfil the new disclosure requirement is to provide reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities.

Finally, the amendments also state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments will become effective for consolidated financial statements with annual periods beginning on or after 1 January 2017. Early application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 in the future may affect on the presentation and disclosure made in the Group's Financial Information.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes all applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared by historical 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 the 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 consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group 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. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statements 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.

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 consolidation.

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue recognition in relation to design, supply and installation of fire safety systems for buildings under construction or re-development is described in the accounting policy headed "Construction contracts" below.

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Revenue from maintenance and repair of fire safety systems for built premises is recognised when services are provided.

#### **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 value of work performed to date to the contract value, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Retirement benefits cost**

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

**Short-term employee benefits and other long-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave 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.

Liability recognised in respect of long service payment and other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any gains or losses arising on remeasurement are recognised directly 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 consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of 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 base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against

which those deductible temporary differences can be utilised. Such 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 and interests 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.

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

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

#### **Plant and equipment**

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of 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.

Asset held under a finance lease is depreciated over its expected useful life on the same basis as owned asset.

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

#### **Impairment on 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 (the "CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of the CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 the CGU) 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 the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

#### **Cash and cash equivalents**

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term bank deposits with a maturity of three months or less.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement 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 and retention receivables, deposits and advances to sub-contractors, amount due from a director and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (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.

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 into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and retention receivables, deposits and advance to sub-contractors, 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and retention receivables, deposits and advance to sub-contractors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and retention receivable, deposit or advance to a sub-contractor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

#### *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 Group are recognised at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

Financial liabilities including trade and retention payables, accruals and other payables amount due to a director and a related company, bank borrowing and obligation under a finance lease 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 is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Fair value measurement**

When measuring fair value except for the Group's leasing transactions, 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 follows:

- 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.

**5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the Financial Information. 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 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 and disclosures made in the Financial Information.

***Revenue recognition***

As explained in the significant accounting policy, which are described in note 4, revenue recognition on a project is dependent on management's estimation of the total outcome of the contracts, with reference to the progress certificate issued by the customers. Notwithstanding that the Group reviews and revises the estimates of contract

revenue, contract costs and variation orders, prepared for each 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 followings 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 plant and equipment*

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimated based on experience about the economic useful lives of the assets and by making reference to market prices of similar assets. The Group assesses annual the residual values and the useful lives of the plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year/period and the estimate will be changed in the future period.

#### *Estimated impairment of trade and retention receivables*

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 30 April 2015 and 2016 and 30 September 2016, the carrying amounts of trade and retention receivables are approximately HK\$7,944,000, HK\$18,168,000 and HK\$12,630,000 respectively.

#### *Provision for long service payment*

The movement of the long service payment of the Group and the present value of the long service payment are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increments, pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability rate. Due to the complexities involved in the valuation and its long-term nature, a long service payment obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting periods.

The Company makes provision for lump sum payments on cessation of employment in certain circumstances to employees. The payments due are dependent on future events and recent payment experience may not be indicative of future payments. Any increase or decrease in the provision would affect profit or loss in future years.

The carrying amount of the long service payment obligations is approximately HK\$468,000, HK\$461,000 and HK\$395,000 as at 30 April 2015, 30 April 2016 and 30 September 2016 respectively. Further details about the long service payment obligations are set out in note 28.

#### *Income taxes*

The Group is subject to Hong Kong Profits Tax. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be imposed. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current taxation and deferred tax liabilities in the year in which such determination is made.

## 6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of amount due to a director disclosed in note 23, obligation under a finance lease disclosed in note 26, bank borrowing disclosed in note 27, net of bank balances and cash disclosed in note 24, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through issue of debts, redemption of bank borrowing, the payment of dividends or issuance of new shares.

## 7. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	At 30 April		At
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
<b>Financial assets</b>			
Loans and receivables (including bank balances and cash)	15,111	24,145	34,048
<b>Financial liabilities</b>			
At amortised cost	11,048	13,880	16,657

### (b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and retention receivables, deposits and advance to sub-contractors, amount due from a director, bank balances and cash, trade and retention payables, accruals and other payables, amount due to a director, amount due to a related company, obligation under a finance lease and bank borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate obligation under a finance lease (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 24) and bank borrowing (see note 27). 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 Lending Rate arising from the Group's HK\$ denominated borrowing. However, the directors of the Company consider that the Group's exposure to interest rate risk is minimal as there is insignificant fluctuation on Prime Lending Rate.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure of the Group's variable-rate bank balances and bank borrowing at the end of each reporting period. The analysis is prepared assuming that the financial instruments outstanding at the end of the Track Record Period were outstanding for the whole year/period. 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 for the years ended 30 April 2015 and 2016 would increase/decrease by approximately HK\$42,000 and HK\$27,000 respectively, and the Group's post tax loss for the five months ended 30 September 2016 would decrease/increase by approximately HK\$76,000.

*(ii) Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 April 2015 and 2016 and 30 September 2016 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of 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 retention receivables, deposits and advance to sub-contractors regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The management considers the credit risk attributable to the amount due from a director to be insignificant as full settlement has been received subsequently.

As at 30 April 2015, 30 April 2016 and 30 September 2016, the Group has concentration of credit risk as 11%, 80% and 25% of the total trade receivables was due from the Group's largest customer while 26%, 80% and 54% of the total trade receivables was due from the Group's five largest customers respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

*(iii) 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. In addition, the Group relies on bank borrowing as a significant source of liquidity and the management monitors the utilisation of bank borrowing.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the Group can be required to pay.

Specifically, bank borrowing with a repayment on demand clause is included in the earliest time band regardless of the probability of the bank choosing to exercise its right within one year after the end of each reporting period. With the above consideration, the maturity dates of all financial liabilities are repayable on demand or within one year as at the end of each reporting period.

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 at the end of each reporting period.

Liquidity table	On demand or within 1 year <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>
<b>At 30 April 2015</b>					
Trade and retention payables	8,909	—	—	8,909	8,909
Accruals and other payables	564	—	—	564	564
Amount due to a director	18	—	—	18	18
Bank borrowing ( <i>note (a)</i> )	1,557	—	—	1,557	1,557
Financial guarantee contracts ( <i>note (b)</i> )	963	—	—	963	—
	<u>12,011</u>	<u>—</u>	<u>—</u>	<u>12,011</u>	<u>11,048</u>
<b>At 30 April 2016</b>					
Trade and retention payables	12,472	—	—	12,472	12,472
Accruals and other payables	452	—	—	452	452
Amount due to a related company	17	—	—	17	17
Bank borrowing ( <i>note (a)</i> )	939	—	—	939	939
Financial guarantee contracts ( <i>note (b)</i> )	929	—	—	929	—
	<u>14,809</u>	<u>—</u>	<u>—</u>	<u>14,809</u>	<u>13,880</u>
<b>At 30 September 2016</b>					
Trade and retention payables	11,018	—	—	11,018	11,018
Accruals and other payables	4,720	—	—	4,720	4,720
Obligation under a finance lease	104	104	61	269	248
Bank borrowing ( <i>note (a)</i> )	671	—	—	671	671
Financial guarantee contracts ( <i>note (b)</i> )	1,712	—	—	1,712	—
	<u>18,225</u>	<u>104</u>	<u>61</u>	<u>18,390</u>	<u>16,657</u>

*Notes:*

- (a) Bank borrowing with a repayment on demand clause is included in the “on demand or within 1 year” time band in the analysis. As at 30 April 2015 and 2016 and 30 September 2016, the aggregate undiscounted principal amounts of the bank borrowing amounted to approximately HK\$1,557,000 and HK\$939,000 and HK\$671,000 respectively. Taking into account the Group’s financial position, the directors of the Company considered that it is not probable that the bank will exercise its discretionary rights to demand immediate repayment. As at 30 April 2015 and 2016 and 30 September 2016, the directors of the Company believe that the bank borrowing in

amounts of approximately HK\$618,000, HK\$651,000 and HK\$671,000 will be repaid within one year and approximately HK\$939,000, HK\$288,000 and nil will be repaid within two to five years, respectively after the respective reporting date in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash flows will amount to approximately HK\$1,631,000 and HK\$980,000 and HK\$704,000 respectively.

- (b) The amounts included above for the financial guarantee contracts are the maximum amounts that the Group could be required to settle under the full guarantees in respect of performance bonds in favour of its clients (note 33) if that amount is claimed by the counterparty to the guarantee. Based on expectations, with reference to the historical experience on the settlement of the financial guarantee contracts, at the end of each reporting period, the directors of the Company consider it is more likely that no amount will be payable under arrangement.

The amount included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of each reporting period.

(iv) *Fair value measurement objective and policies*

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the Financial Information are not materially differ from their fair values due to their immediate or short-term maturities.

The directors of the Company also consider that the fair value of non-current financial asset and financial liabilities recorded at amortised cost in the Financial Information approximates to its corresponding carrying amount due to insignificant impact of discounting.

## 8. REVENUE

Revenue represents the amounts received and receivable for services provided and sales of goods in the normal course of business, net of discounts.

	Year ended 30 April		Five months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(Unaudited)	
Revenue from design, supply and installation services	56,878	91,542	25,496	30,279
Revenue from maintenance and repair services	21,795	31,455	4,398	6,314
Trading of goods	1,209	992	871	106
	<u>79,882</u>	<u>123,989</u>	<u>30,765</u>	<u>36,699</u>

## 9. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the directors of the Company, in order to allocate resources to segments and to assess their performance.

The Group's operating activities are attributable to a single operating segment focusing on the provision of design, supply and installation services and maintenance and repair and the sales of fire prevention related products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from the provision of design, supply and installation services and maintenance and repair services with no discrete information available to the CODM. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or liabilities is presented as they are not regularly provided to the CODM.

**Geographical information**

The Group's revenue from external customers based on the location of operation is derived solely in Hong Kong (country of domicile). Non-current assets of the Group based on the location of assets are all located in Hong Kong. Accordingly, no segment analysis by geographical information is presented.

**Information about major customers**

Revenue from customers during the Track Record Period contributing over 10% of the total revenue of the Group are as follows:

	Year ended 30 April		Five months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Customer A	13,014	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer B	12,824	34,872	5,306	11,209
Customer C	11,662	15,046	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer D	8,426	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer E	8,382	N/A <sup>1</sup>	N/A <sup>1</sup>	4,330
Customer F	N/A <sup>1</sup>	16,781	3,819	6,303
Customer G	N/A <sup>1</sup>	12,678	4,410	N/A <sup>1</sup>
Customer H	N/A <sup>1</sup>	N/A <sup>1</sup>	6,752	N/A <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

**10. OTHER INCOME**

	Year ended 30 April		Five months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Income from safety award ( <i>note</i> )	—	5	—	—
Sales of scrap materials	—	2	—	—
	—	7	—	—

*Note:* The income represented the award provided under Construction Industry Safety Award Scheme upon satisfaction of the construction completed during the year ended 30 April 2016.

## 11. FINANCE COSTS

	Year ended 30 April		Five months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Interest on:				
— letter of credit, bank overdrafts and borrowing	153	144	71	20
— obligation under a finance lease	—	—	—	1
	<u>153</u>	<u>144</u>	<u>71</u>	<u>21</u>

## 12. TAXATION

	Year ended 30 April		Five months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Current tax:				
— Hong Kong Profits Tax	1,254	2,649	447	766
Deferred tax — current year (note 29)	(8)	(13)	(4)	8
	<u>1,246</u>	<u>2,636</u>	<u>443</u>	<u>774</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period.

Pursuant to the rules and regulation of the BVI and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

The income tax expense can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 30 April		Five months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Profit before taxation	<u>7,668</u>	<u>15,472</u>	<u>2,685</u>	<u>142</u>
Tax calculated at the domestic income tax rate	1,265	2,553	443	23
Tax effect of income not taxable for tax purpose	—	—	—	—
Tax effect of expenses not deductible for tax purpose	1	83	—	751
Effect of tax exemption granted (note)	(20)	—	—	—
Income tax expense for the year/period	<u>1,246</u>	<u>2,636</u>	<u>443</u>	<u>774</u>

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2015/2016 by 75%, subject to a ceiling of HK\$20,000 for the year of assessment.

Details of the deferred taxation are set out in note 29.



## 13. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 30 April		Five months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Profit (loss) for the year/period has been arrived at after charging (crediting):			(Unaudited)	
Staff costs				
— Salaries, allowances and other benefits	8,148	8,805	3,434	4,324
— Contributions to the Mandatory Provident Fund Scheme	357	371	153	203
— Reversal of provision for long service payments	(1)	(7)	(16)	(66)
Total staff costs (excluding directors' emoluments (note 14))	8,504	9,169	3,571	4,461
Auditors' remuneration	19	30	13	13
Cost of inventories recognised as expenses	942	811	599	68
Depreciation of plant and equipment	200	245	96	93
Listing expenses	—	—	—	4,061
Minimum lease payments paid under operating leases in respect of office premises	639	677	274	290
Penalty paid	—	4	1	—

## 14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company were as follows:

## For the year ended 30 April 2015

Name of director	Fee HK\$'000	Salaries, allowance and other benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:					
Executive directors					
Mr. Li Shing Kuen, Alexander	—	563	42	18	623
Mr. Poon Kwok Kay <sup>1</sup>	—	776	233	18	1,027
	—	1,339	275	36	1,650

## For the year ended 30 April 2016

Name of director	Fee HK\$'000	Salaries, allowance and other benefits HK\$'000	Discretionary bonus HK\$'000 (Note)	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
------------------	-----------------	--	--	---	-------------------

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

## Executive directors

Mr. Li Shing Kuen, Alexander	—	597	45	18	660
Mr. Poon Kwok Kay <sup>1</sup>	—	1,002	175	18	1,195
	—	1,599	220	36	1,855

## For the five months ended 30 September 2015 (unaudited)

Name of director	Fee HK\$'000	Salaries, allowance and other benefits HK\$'000	Discretionary bonus HK\$'000 (Note)	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
------------------	-----------------	--	--	---	-------------------

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

## Executive directors

Mr. Li Shing Kuen, Alexander	—	245	—	8	253
Mr. Poon Kwok Kay <sup>1</sup>	—	367	100	8	475
	—	612	100	16	728

## For the five months ended 30 September 2016

Name of director	Fee HK\$'000	Salaries, allowance and other benefits HK\$'000	Discretionary bonus HK\$'000 (Note)	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
------------------	-----------------	--	--	---	-------------------

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

## Executive directors

Mr. Li Shing Kuen, Alexander	—	256	—	8	264
Mr. Poon Kwok Kay <sup>1</sup>	—	411	—	8	419
	—	667	—	16	683

<sup>1</sup> Appointed on 7 October 2016.

No chief executive officer was appointed during the Track Record Period.

Mr. Cheung Wai Hung was appointed as a director of the Company on 7 October 2016 and re-designed as a non-executive director of the Company on 29 November 2016. During the Track Record Period and five months ended 30 September 2015, Mr. Cheung Wai Hung has not yet been appointed and did not receive any remuneration.

Mr. Pun Kin Wa, Mr. Tsang Man Biu and Mr. Lee Kwok Tung Louis were appointed as the Company's independent non-executive directors on 27 March 2017. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

The emoluments shown above represents emoluments received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group during the Track Record Period.

No emoluments were paid by the Group to directors of the Company as an inducement to join or upon joining the Group or as compensation for the loss of office during the Track Record Period.

No directors have waived or agreed to waive any emolument paid by the Group during the Track Record Period.

*Note:* Discretionary bonuses were determined with reference to the Group's operating results and individual performance.

#### 15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two of them were directors of the Company whose emoluments are included in note 14 above. Details of emoluments of the remaining three individuals of the Group during the Track Record Period were as follows:

	Year ended 30 April		Five months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Salaries, allowances and other benefits ( <i>note</i> )	1,455	1,404	552	659
Discretionary bonus	87	268	152	170
Contributions to retirement benefits scheme	53	54	23	23
	<u>1,595</u>	<u>1,726</u>	<u>727</u>	<u>852</u>

Their emoluments were within the following bands:

	Year ended 30 April		Five months ended 30 September	
	2015 Number of individuals	2016 Number of individuals	2015 Number of individuals (Unaudited)	2016 Number of individuals
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

*Note:* Except for inducement to join the Group of HK\$60,000 paid to one of the five highest paid individuals during the year ended 30 April 2015, no emoluments were paid by the Group to any five highest paid individuals, including directors 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.

#### 16. DIVIDEND

The dividend declared and paid by the Company's subsidiary, Windmill Engineering, to the Controlling Shareholder during each of the years ended 30 April 2015 and 2016 amounted to HK\$3,000,000 and approximately HK\$3,761,000 respectively. The rates of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful for the purpose of this report.

#### 17. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the presentation of the results of the Group for the Track Record Period as disclosed in note 2.

#### 18. INVESTMENT IN A SUBSIDIARY

##### The Company

	At 30 September 2016 HK\$'000
Unlisted investment, at cost	<u>14,705</u>

The details of the subsidiaries as at 30 September 2016 are set out as follows:

Name of subsidiary	Place and date of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Success Chariot	BVI 6 July 2016	US\$3	100%	—	Investment holding
Windmill Engineering	Hong Kong 20 May 1983	HK\$10,148,000	—	100%	Design, supply and installation of fire safety systems for buildings under construction or re- development and maintenance and repair of fire safety systems for built premises

## 19. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>			
At 1 May 2014	380	918	1,298
Additions	<u>44</u>	<u>105</u>	<u>149</u>
At 30 April 2015 and 1 May 2015	424	1,023	1,447
Additions	169	62	231
Write-off	<u>—</u>	<u>(420)</u>	<u>(420)</u>
At 30 April 2016 and 1 May 2016	593	665	1,258
Additions	<u>65</u>	<u>339</u>	<u>404</u>
At 30 September 2016	<u><u>658</u></u>	<u><u>1,004</u></u>	<u><u>1,662</u></u>
<b>ACCUMULATED DEPRECIATION</b>			
At 1 May 2014	161	675	836
Charge for the year	<u>80</u>	<u>120</u>	<u>200</u>
At 30 April 2015 and 1 May 2015	241	795	1,036
Charge for the year	112	133	245
Eliminated on write-off	<u>—</u>	<u>(420)</u>	<u>(420)</u>
At 30 April 2016 and 1 May 2016	353	508	861
Charge for the period	<u>49</u>	<u>44</u>	<u>93</u>
At 30 September 2016	<u><u>402</u></u>	<u><u>552</u></u>	<u><u>954</u></u>
<b>CARRYING VALUES</b>			
At 30 April 2015	<u><u>183</u></u>	<u><u>228</u></u>	<u><u>411</u></u>
At 30 April 2016	<u><u>240</u></u>	<u><u>157</u></u>	<u><u>397</u></u>
At 30 September 2016	<u><u>256</u></u>	<u><u>452</u></u>	<u><u>708</u></u>

The above items of plant and equipment are depreciated on a straight-line method over their estimated useful lives as follows:

Furniture, fixtures and equipment	20%
Motor vehicles	20%

The carrying values of a motor vehicle held under finance lease were as follows:

	At 30 April		At 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Motor vehicle	—	—	281

## 20. TRADE AND RETENTION RECEIVABLES

	At 30 April		At 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	4,960	11,664	5,798
Retention receivables ( <i>note</i> )	2,984	6,504	6,832
	<u>7,944</u>	<u>18,168</u>	<u>12,630</u>

*Note:* Except for the amounts of approximately HK\$147,000, HK\$1,622,000 and HK\$6,294,000 as at 30 April 2015 and 2016 and 30 September 2016 respectively, which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered or settled within one year. Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

The Group does not hold any collateral over these balances.

The Group allows a credit period of 30 days to its customers. The following is an ageing analysis of trade receivables, presented based on the certified report which approximates the respective revenue recognition date at 30 April 2015 and 2016 and 30 September 2016:

	At 30 April		At 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	2,673	1,442	888
31 to 60 days	1,841	1,422	862
61 to 90 days	409	7,658	2,993
91 to 180 days	36	202	404
More than 180 days	1	940	651
	<u>4,960</u>	<u>11,664</u>	<u>5,798</u>

Trade receivables that were neither past due nor impaired related to customers that have no recent history of default payment.

As at 30 April 2015 and 2016 and 30 September 2016, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK\$2,287,000, HK\$10,222,000 and HK\$4,910,000 respectively which were past due for which the Group has not provided for impairment loss.

The following is an ageing analysis of trade receivables which are past due but not impaired:

	At 30 April		At
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Duration of past due			
0 to 30 days	1,841	1,422	862
31 to 60 days	409	7,658	2,993
61 to 90 days	36	92	210
More than 90 days	<u>1</u>	<u>1,050</u>	<u>845</u>
	2,287	10,222	4,910
Neither past due nor impaired	<u>2,673</u>	<u>1,442</u>	<u>888</u>
	<u>4,960</u>	<u>11,664</u>	<u>5,798</u>

The directors of the Company consider that there has not been a significant change in credit quality of the relevant customers and there is no recent history of default, therefore the amounts are considered to be recoverable.

#### 21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	At 30 April		At
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
<b>Contracts in progress at the end of each reporting period:</b>			
Contract costs incurred plus recognised profits less recognised losses	101,476	170,554	211,245
Less: progress billings	<u>(93,017)</u>	<u>(157,351)</u>	<u>(197,277)</u>
	<u>8,459</u>	<u>13,203</u>	<u>13,968</u>
<b>Analysed for reporting purposes as:</b>			
Amounts due from customers for contract work	10,291	15,553	17,974
Amounts due to customers for contract work	<u>(1,832)</u>	<u>(2,350)</u>	<u>(4,006)</u>
	<u>8,459</u>	<u>13,203</u>	<u>13,968</u>

**22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

The following is an analysis of deposits, prepayments and other receivables at 30 April 2015 and 2016 and 30 September 2016:

	At 30 April		At
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Deposits	70	117	196
Prepayments	220	231	105
Advance to sub-contractors	<u>1,522</u>	<u>1,661</u>	<u>1,813</u>
	<u>1,812</u>	<u>2,009</u>	<u>2,114</u>

**23. AMOUNT DUE FROM (TO) A DIRECTOR AND A RELATED COMPANY**

(a) The details of amount due from a director are as follows:

	At 30 April		At	Maximum amount outstanding		
	2015	2016	30 September	Year ended 30 April		Five months
	HK\$'000	HK\$'000	2016	2015	2016	ended
Mr. Li Shing Kuen, Alexander	<u>—</u>	<u>628</u>	<u>628</u>	<u>3,000</u>	<u>628</u>	<u>628</u>

The amount was unsecured, non-interest bearing, repayable on demand and non-trade in nature.

- (b) The amount due to a director at 30 April 2015 was unsecured, non-interest bearing and repayable on demand.
- (c) As at 30 April 2016, the amount due to a related company of approximately HK\$17,000, which Mr. Poon Kwok Kay, who was appointed as a director of the Company on 7 October 2016, has beneficial interest in, was unsecured, non-interest bearing and repayable on demand.

**24. BANK BALANCES AND CASH**

Bank balances carried interest at prevailing market rates during the Track Record Period.



## 25. TRADE AND RETENTION PAYABLES

	At 30 April		At
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Trade payables	5,895	7,370	5,599
Bills payables	<u>1,008</u>	<u>—</u>	<u>—</u>
	6,903	7,370	5,599
Retention payables ( <i>note</i> )	<u>2,006</u>	<u>5,102</u>	<u>5,419</u>
	<u>8,909</u>	<u>12,472</u>	<u>11,018</u>

*Note:* Except for the amounts of approximately HK\$267,000, HK\$1,793,000 and HK\$5,002,000 as at 30 April 2015 and 2016 and 30 September 2016 respectively, which were expected to be paid or settled after one year, all of the remaining balances are expected to be paid or settled within one year. Retention payables are included in current liabilities as the Group expects to paid or settled within its normal operating cycle.

The following is an ageing analysis of trade and bills payables presented based on the invoice date at 30 April 2015 and 2016 and 30 September 2016:

	At 30 April		At
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
0 to 30 days	2,976	4,321	3,127
31 to 60 days	2,838	2,471	1,765
61 to 90 days	909	368	283
91 to 365 days	<u>180</u>	<u>210</u>	<u>424</u>
	<u>6,903</u>	<u>7,370</u>	<u>5,599</u>

Trade and bills 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 the settlement on 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

## 26. OBLIGATION UNDER A FINANCE LEASE

	At 30 April		At
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Analysed for reporting purposes as:			
Current liabilities	—	—	92
Non-current liabilities	<u>—</u>	<u>—</u>	<u>156</u>
	<u>—</u>	<u>—</u>	<u>248</u>

The Group leases one of its motor vehicles under a finance lease. The lease term was 3 years for the Track Record Period. The obligation under a finance lease carried interest at 6.21% per annum during the Track Record Period.

At 30 April 2015 and 2016 and 30 September 2016, the total future minimum lease payments under a finance lease and their present value was as follows:

	Minimum lease payments			Present value of minimum lease payments		
	At 30 April		At 30 September	At 30 April		At 30 September
	2015	2016	2016	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Amounts payable under a finance lease:</b>						
Within one year	—	—	104	—	—	92
More than one year and not more than two years	—	—	104	—	—	97
More than two years and not more than five years	—	—	61	—	—	59
	—	—	269	—	—	248
Less: future finance charges	—	—	(21)	N/A	N/A	N/A
Present value of obligation under a finance lease	—	—	248	—	—	248
Less: amounts due for settlement within one year shown under current liabilities				—	—	92
Amounts due for settlement after one year				—	—	156

## 27. BANK BORROWING

	At 30 April		At 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Bank borrowing with a repayment on demand clause and classified under current liabilities	1,557	939	671
Carrying amount repayable (based on schedule repayment dates set out in the loan agreement)			
Within one year	618	651	671
After one year but within two years	651	288	—
After two years but within five years	288	—	—
	1,557	939	671

- (a) The bank borrowing was denominated in HK\$ for the Track Record Period.
- (b) At 30 April 2015 and 2016 and 30 September 2016, bank borrowing carried interest at 0.5% over Prime Lending Rate, being 5.5% during the Track Record Period, per annum.
- (c) At 30 April 2015 and 2016 and 30 September 2016, the banking facilities and bank borrowing granted to the Group were secured and/or guaranteed by:
- (i) certain properties owned by the director of the Company, Mr. Li Shing Kuen, Alexander;
  - (ii) personal guarantee given by the director of the Company, Mr. Li Shing Kuen, Alexander; and
  - (iii) guarantee for an amount of approximately 80% of the amount granted by the bank to the Group from the Government of the Hong Kong Special Administrative Region.
- (d) The amount of banking facility and the utilisation at 30 April 2015 and 2016 and 30 September 2016 are set out as follows:

	At 30 April		At
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
Facility amount	<u>17,500</u>	<u>17,500</u>	<u>18,500</u>
Utilisations			
— secured bank borrowing	1,557	939	671
— bills payable ( <i>note 25</i> )	1,008	—	—
— performance bonds ( <i>note 33</i> )	<u>963</u>	<u>929</u>	<u>1,712</u>
	<u>3,528</u>	<u>1,868</u>	<u>2,383</u>

## 28. LONG SERVICE PAYMENT OBLIGATIONS

The Group made provision for probable future long service payments to employees in accordance with the Hong Kong Employment Ordinance. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK\$390,000 per employee. The provision represented the management's best estimate of the Group's liability at the end of each reporting period.

Movement in long service payment obligations is as follows:

	At 30 April		At
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
At beginning of the year/period	469	468	461
Credited to profit or loss	<u>(1)</u>	<u>(7)</u>	<u>(66)</u>
At the end of the year/period	<u>468</u>	<u>461</u>	<u>395</u>

The value of the retirement benefits of the Group was determined by the management's best estimation.

**29. DEFERRED TAX LIABILITY**

The following is the deferred tax liability recognised by the Group and movement thereon during the Track Record Period:

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At 1 May 2014	31
Credited to profit and loss ( <i>note 12</i> )	<u>(8)</u>
At 30 April 2015 and 1 May 2015	23
Credited to profit or loss ( <i>note 12</i> )	<u>(13)</u>
At 30 April 2016 and 1 May 2016	10
Charged to profit or loss ( <i>note 12</i> )	<u>8</u>
At 30 September 2016	<u><u>18</u></u>

**30. SHARE CAPITAL AND RESERVES****(a) Share capital**

The balances as at 30 April 2015 and 2016 represented the share capital of Windmill Engineering.

The balance of share capital as at 30 September 2016 represented share capital of the Company.

The Company was incorporated in Cayman Islands on 25 August 2016. As at the date of its incorporation, the Company had authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, one share was allotted and issued at nil-paid to the initial subscriber and then the initial subscriber transferred the share to Golden Page at nil consideration on the same date.

As part of the Reorganisation, on 28 September 2016, the Company further allotted and issued a total of 7,000 shares for the consideration of HK\$8,000,000 for acquisition of Windmill Engineering.

Details of the share capital of the Company are as follows:

	<b>Number of shares</b>	<b>Amounts</b> <i>HK\$</i>	<b>Shown in the Financial Information</b> <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.01 each</b>			
Authorised:			
At 25 August 2016 (date of incorporation) and 30 September 2016	<u>38,000,000</u>	<u>380,000</u>	
Issued and allotted:			
At 25 August 2016 (date of incorporation)	1	—	
Issue of shares	<u>7,000</u>	<u>70</u>	
At 30 September 2016	<u><u>7,001</u></u>	<u><u>70</u></u>	<u><u>—</u></u>

**The Group**

As part of the Reorganisation, on 28 September 2016, Windmill Engineering allotted and issued 7,852,000 shares, equivalent to 78.52% equity interest in Windmill Engineering, to Success Chariot, the subsidiary of the Company, for a consideration of HK\$8,000,000. The share capital of Windmill Engineering was increased from HK\$2,148,000 to HK\$10,148,000.

**(b) Other reserve***(i) Other reserve*

Other reserve represented the difference between the issued share capital of the Company and the nominal value of the share capital of the combined entities arising pursuant to the Reorganisation.

*(ii) Reserve of the Company*

	<b>Other reserve</b>
	<i>HK\$'000</i>
	<i>(Note (i))</i>
At 25 August 2016 (date of incorporation)	—
Acquisition of interests in subsidiaries	<u>14,705</u>
At 30 September 2016	<u><u>14,705</u></u>

**31. RETIREMENT BENEFIT PLANS****Defined contribution plans**

The Group operates a MPF Scheme for all qualified employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme and subject to a cap of HK\$1,250 per month prior to June 2014 and HK\$1,500 per month thereafter.

During the years ended 30 April 2015 and 2016 and five months ended 30 September 2016, the total expenses recognised in the consolidated statements of profit or loss and other comprehensive income are approximately HK\$393,000, HK\$407,000 and HK\$219,000 respectively, which represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

**32. OPERATING LEASE COMMITMENTS****The Group as lessee**

At 30 April 2015 and 2016 and 30 September 2016, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>At 30 April</b>		<b>At</b>
	<b>2015</b>	<b>2016</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
			<i>HK\$'000</i>
Within one year	318	568	498
In the second to fifth year inclusive	<u>—</u>	<u>206</u>	<u>24</u>
	<u><u>318</u></u>	<u><u>774</u></u>	<u><u>522</u></u>

Operating lease payment represents rental payable by the Group for certain of its office. Leases are negotiated for original term ranging from one to three years and rental is fixed over the lease term of respective lease.

### 33. CONTINGENT LIABILITIES

At 30 April 2015 and 2016 and 30 September 2016, the Group had provided the following guarantees:

	At 30 April		At
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Guarantees in respect of performance bonds in favour of its clients	<u>963</u>	<u>929</u>	<u>1,712</u>

In the opinion of the directors of the Company, it was not probable that a claim would be made against the Group under the guarantee. Therefore, no provision for such guarantee was made for the years ended 30 April 2015 and 2016 and five months ended 30 September 2016.

### 34. LITIGATION

On 1 August 2013, Windmill Engineering has been named as one of the defendants in a District Court action since a writ was issued against Windmill Engineering. Windmill Engineering has filed a full defence to this writ. On 13 June 2014, mediation between the plaintiff and the defendants was held and settlement agreement has been signed between plaintiff and the defendants at the same date.

In the opinion of the directors of the Company, provision has been fully made at 30 April 2014 in relation to the claims paid of approximately HK\$451,000 from Windmill Engineering. The amount has been fully settled during the year ended 30 April 2015.

### 35. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the Financial Information, during the Track Record Period and five months ended 30 September 2015, the Group entered into transactions with its related party as follows:

Related party	Nature of transaction	Year ended 30 April		Five months ended	
		2015	2016	30 September	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tradetech Suppliers Ltd. ("Tradetech")	Purchase of materials	<u>—</u>	<u>137</u>	<u>—</u>	<u>—</u>

Purchase of materials from Tradetech was made on mutually agreed basis. One of the directors of the Company, Mr. Poon Kwok Kay, who was appointed on 7 October 2016, had beneficial interest in Tradetech during the year ended 30 April 2016.

**(b) Compensation to key management personnel**

The remuneration paid to the directors, being the only key management personnel of the Group, during the Track Record Period was as follows:

	Year ended 30 April		Five months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Short-term benefits	1,614	1,819	712	667
Post-employment benefits	<u>36</u>	<u>36</u>	<u>16</u>	<u>16</u>
	<u>1,650</u>	<u>1,855</u>	<u>728</u>	<u>683</u>

The remuneration of the directors of the Company and key executives is determined by the performance of individuals and market trends.

**(c) Guarantees from a director**

During the Track Record Period, one of the directors of the Company has provided unlimited personal guarantee and pledge of his personal properties for the banking facilities granted to the Group as disclosed in note 27.

**36. MAJOR NON-CASH TRANSACTIONS**

- (a) During the year ended 30 April 2015, an interim dividend payable by Windmill Engineering in amount of HK\$3,000,000 to the Controlling Shareholder was settled through the amount due from a director by the same amount.
- (b) During the five months ended 30 September 2016, the Group entered into a finance lease arrangement in respect of one motor vehicle with capital value at the inception of the lease of approximately HK\$291,000.

**B. EVENTS AFTER THE REPORTING PERIOD**

The following significant event took place subsequent to 30 September 2016.

**(a) Dividend**

Subsequent to the end of the reporting period, an interim dividend of approximately HK\$628,000 for the year ending 30 April 2017 has been proposed and declared by the Company on 5 October 2016. The dividend was settled through the amount due from a director of the Company by the same amount.

**(b) Issue of shares of the Company upon subscription**

On 7 October 2016, the Company issued and allotted a total of 2,999 shares of HK\$0.01 each at a cash consideration of HK\$12,000,000 to the pre-IPO investor. Details of which are set out in the subsection headed under “History, Reorganisation and Corporate Structure — Pre-IPO Investment” in the Prospectus. All new shares issued rank pari passu in all respects with the then existing shares.

**(c) Capitalisation issue**

Pursuant to the written resolution of the shareholders of the Company passed on 27 March 2017, the Company has conditionally approved the issue of shares pursuant to capitalisation issue. Details of which are set out in the subsection headed “A. Further Information about our Company and our Subsidiaries — 5. Written resolution of our Shareholders passed on 27 March 2017” in Appendix IV to the Prospectus.

**(d) Increase of authorised share capital**

Pursuant to the written resolution of the shareholders of the Company passed on 27 March 2017, the Company's authorised share capital was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by creation of additional 1,962,000,000 shares of HK\$0.01 each.

**(e) Share option scheme**

Pursuant to the written resolution of the shareholders of the Company passed on 27 March 2017, the Company has conditionally adopted a share option scheme, details of which are set out in the subsection headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to the Prospectus.

**(f) Release of personal guarantees**

The personal guarantees of the unsecured bank borrowing given by one of the director of the Company, Mr. Li Shing Kuen, Alexander, will be released or replaced by the Group's corporate guarantee upon the Listing.



**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2016.

Yours faithfully,

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Chan Wing Kit**

Practising Certificate Number: P03224

Hong Kong

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants' Report from the reporting accountants, SHINEWING (HK) CPA LIMITED, Certified Public Accountants, Hong Kong, 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 set out in Appendix I to this prospectus.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of our Group, prepared 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 is for illustrative purpose only, and is set out below to illustrate the effect of the proposed placing and public offer of the shares of our Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Share Offer") on the consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2016 as if the Share Offer had taken place on 30 September 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 30 September 2016, or at any future date following the Share Offer.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is prepared based on the consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2016 as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows.

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company immediately after the completion of the Share Offer <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share as at 30 September 2016 <i>HK\$</i> <i>(Note 3)</i>
Basis on the Offer Price of HK\$0.2 per Share	27,165	22,585	49,750	0.06
Basis on the Offer Price of HK\$0.4 per Share	27,165	60,585	87,750	0.11

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*Notes:*

1. The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2016 is extracted from the Accountants' Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 200,000,000 new Shares and the Offer Price of HK\$0.2 or HK\$0.4 per Share (being the low-end or high-end of the indicative price range of the Offer Price) amounted to approximately HK\$22,585,000 and HK\$60,585,000 respectively, after deducting the underwriting fees and other related expenses payable by our Group in relation to the Share Offer, other than listing expenses which had been recognised in consolidated statement of profit or loss and other comprehensive income for the five months ended 30 September 2016. The estimated net proceeds do not take into account any shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme as described in the subsection headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.
3. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share is arrived at after adjustment for the estimated net proceeds from the Share Offer as described in note 2 and on the basis that a total of 800,000,000 Shares were in issue as at 30 September 2016 (including Shares in issue as at the date of this prospectus and those Shares are 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 the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).
4. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company and the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share as at 30 September 2016 have not taken into account the special dividend of approximately HK\$628,000 declared on 5 October 2016 for payment to the Controlling Shareholder of our Group and the issue of 2,999 Shares at a cash consideration of HK\$12,000,000 to the Pre-IPO investor on 7 October 2016. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company would have been increased to approximately HK\$61,122,000 and HK\$99,122,000 and the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share would have been increased to HK\$0.08 and HK\$0.12 per Share, based on the Share Offer Price at the low-end or high-end of the indicative price range of HK\$0.2 or HK\$0.4 per Share respectively.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company to reflect any trading results or other transactions of our Group entered into subsequent to 30 September 2016.

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

31 March 2017

The Board of Directors  
WINDMILL Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of WINDMILL Group 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 statement of adjusted consolidated net tangible assets as at 30 September 2016 and related notes as set out in Appendix II to the prospectus of the Company dated 31 March 2017 (the “**Prospectus**”) in connection with the proposed placing and public offer of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Share Offer**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix II to the Prospectus.

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 net tangible assets as at 30 September 2016 as if the Share Offer had taken place at 30 September 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 consolidated financial statements for the five months ended 30 September 2016, on which an accountants’ report has been included in Appendix I to 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 Listing 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 Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants 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 Listing 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 undertaken 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 30 September 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

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Chan Wing Kit**

Practising Certificate Number: P03224

Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 27 March 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the Directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.



The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

*(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is

due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

**(b) Directors**

*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with

regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in

proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.



*(iii) Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic

form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the Shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that Shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to Shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

#### (c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his



duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 13 September, 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the

opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

#### **(q) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the subsection headed "Documents delivered to the Registrar of Companies in Hong Kong and Available for Inspection — B. Documents Available for Inspection" in Appendix V to this prospectus. 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 AND OUR SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2016. Our registered office is at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established a principal place of business in Unit 1509, 15/F., Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 September 2016. Mr. Li has been appointed as an authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and the Memorandum of Association and the Articles of Association. Accordingly, our corporate structure and Articles are subject to the Companies Law and other relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix III to this prospectus.

**2. Change in Share Capital of our Company*****(a) Increase in authorised share capital***

At the time of incorporation, the Company had an authorised share capital of HK\$380,000.0 divided into 38,000,000 shares of HK\$0.01 each. On incorporation of our Company, one subscriber Share was allotted and issued nil-paid to the initial subscriber and such Share was transferred to Golden Page on the same day. The authorised share capital of our Company was increased from HK\$380,000.0 to HK\$20,000,000.0 by the creation of a further 1,962,000,000 Shares pursuant to a resolution by our Shareholders referred to in paragraph 5 below and subject to the conditions contained herein.

Immediately following completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option, 800,000,000 Shares will be in issue fully paid or credited as fully paid, and 1,200,000,000 Shares in the authorised share capital will remain unissued.

Save as disclosed in this paragraph and in the subsection headed “A. Further information about our Company and our Subsidiaries — 3. Our Corporate Reorganisation” in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

***(b) Founder Shares***

Our Company has no founder shares, management shares or deferred shares.

### 3. Our Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please see the subsection headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus for further details.

### 4. Changes in the Share Capital of our Subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save for the alterations mentioned in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there has been no other alteration in the share capital of our subsidiaries within the two years immediately preceding the issue of this prospectus.

### 5. Written resolutions of our Shareholders passed on 27 March 2017

On 27 March 2017, resolutions in writing were passed by our Shareholders pursuant to which, amongst others:

- (a) our Company approved and adopted the Memorandum with immediate effect and the Articles with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000.0 to HK\$20,000,000.0 by the creation of a further 1,962,000,000 Shares;
- (c) conditional on both (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and exercise of the Offer Size Adjustment Option); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the then existing Shares in all respects;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the subsection headed “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional further on the share premium account of our Company being credited with the proceeds of the Share Offer, our Directors were authorised to capitalise an amount of HK\$5,999,900 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 599,990,000 Shares for allotment and issue to the person(s) whose names appear on the register of members of our Company at the close of business on 27 March 2017 (or as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and the aforesaid issue and allotment of Shares was approved, and our Directors were authorised to give effect to such capitalisation and issue and allotment of Shares;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer or the Capitalisation Issue, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options thereof where the exercise of the right to convert into or subscribe for Shares of the securities issued pursuant to this general mandate might require the issue of new Shares during or after the period when this general mandate remains in effect, with the number of Shares (or underlying Shares) involved in aggregate not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme and exercise of the Offer Size Adjustment Option), subject to adjustment for each consolidation or sub-division of Shares the record date of which falls within the period when this general mandate remains in effect so that the maximum number of Shares that may be issued pursuant to the authority granted hereunder as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or sub-division shall be the same and the said approval shall be limited accordingly, such mandate to remain in effect until the earliest of:
- (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 the Memorandum and Articles or the Companies Law or any applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

- (e) a general unconditional mandate (“**Repurchase 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 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 such number of Shares in aggregate not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme and exercise of the Offer Size Adjustment Option), subject to adjustment for each consolidation or sub-division of Shares the record date of which falls within the period when this general mandate remains in effect so that the maximum number of Shares that may be repurchased pursuant to the authority granted hereunder as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or sub-division shall be the same and the said approval shall be limited accordingly, such mandate to remain in effect until the earliest of:
- (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 the Memorandum and Articles or the Companies Law or any applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by including the number of Shares which are repurchased pursuant to exercise of the Repurchase Mandate in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme and exercise of the Offer Size Adjustment Option).

## **6. Repurchase of our Shares**

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.



(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on the GEM to repurchase securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) *Shareholder's approval*

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*(Note:* Pursuant to the written resolutions passed by our Shareholders on 27 March 2017, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of shares our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme and exercise of the Offer Size Adjustment Option), and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.)

(ii) *Source of funds*

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws and rules and regulations of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased. Subject to satisfaction of the solvency test prescribed by the Companies Law, a repurchase may also be made out of capital.

*(iii) Connected parties*

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person” (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or associates of any of them, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

*(b) Exercise of the Repurchase Mandate*

On the basis of 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme and exercise of the Offer Size Adjustment Option), our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

*(c) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

*(d) Funding of repurchases*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(e) General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations in force from time to time in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase 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. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase of Shares if made immediately after the Listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) the Subscription Agreement;
- (b) the Shareholders Agreement;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition; and
- (e) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademark

As at the Latest Practicable Date, our Group had not registered any trademarks.

As at the Latest Practicable Date, our Group had applied for the registration of the following trademark in Hong Kong which we consider is material to our business, the registration of which was still being processed:

Trademark	Class	Application No.	Application Date	Place of Application	Applicant
WINDMILL	37	3039 15432	28 September 2016	Hong Kong	Windmill Engineering Company Limited (海鑫工程有限公司)

### (b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which we consider are material to our business:

Domain name	Registrant	Registration Date	Expiry Date
Windmill.hk	Windmill Engineering	14 March 2013	14 March 2018

## C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

### 1. Disclosure of Interests

#### (a) *Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon exercise of any Shares which may be granted under the Share Option Scheme or the Offer Size Adjustment Option), the interests and short positions of our Directors or chief executive of our Company in Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be

required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

*a. Long position in the Shares*

<b>Name of Director</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer</b>	<b>Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer</b>
Mr. Li	Interest in a controlled corporation ( <i>Note 1</i> )	420,060,000	52.51%

- (1) Such Shares are registered in the name of Golden Page, a company wholly and beneficially owned by Mr. Li. By virtue of the SFO, Mr. Li is deemed to be interested in all such Shares held by Golden Page.

*b. Long position in the shares of associated corporations*

<b>Name</b>	<b>Name of associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Number of share held/interested</b>	<b>Percentage of shareholding</b>
Mr. Li	Golden Page	Beneficial owner	3	100%

Mr. Li is the legal and beneficial owner of 3 issued ordinary shares of Golden Page, representing 100% of the issued share capital of Golden Page.

*(b) Interests of substantial and other Shareholders in the Shares and underlying Shares*

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2

and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group:

*Long position in the Shares*

Name	Capacity/nature of interest	Number of share held/ interested	Percentage of shareholding
Golden Page	Beneficial Owner	470,060,000	52.51%
Smart Million	Beneficial Owner	179,940,000	22.49%
Marvel Paramount Investments Limited	Interest in a controlled corporation ( <i>Note 1</i> )	179,940,000	22.49%
Mr. Ma Ting Wai Barry	Interest in a controlled corporation ( <i>Note 2</i> )	179,940,000	22.49%
Ms. Leung Wing Ci Winnie	Interest of spouse ( <i>Note 3</i> )	179,940,000	22.49%

*Notes:*

- (1) Such Shares are registered in the name of the Pre-IPO Investor a company beneficially owned as to 66.67% by Marvel Paramount Investments Limited. By virtue of the SFO, Marvel Paramount Investments Limited is deemed to be interested in all such Shares held by the Pre-IPO Investor.
- (2) Marvel Paramount Investments Limited is wholly and beneficially owned by Mr. Ma Ting Wai Barry. By virtue of the SFO Mr. Ma Ting Wai Barry is deemed to be interested in all the Shares in which Marvel Paramount Investments Limited is interested or deemed to be interested under the SFO.
- (3) Ms. Leung Wing Ci Winnie is the spouse of Mr. Ma Ting Wai Barry. By virtue of the SFO, Ms. Leung Wing Ci Winnie is deemed to be interested in all the Shares in which Mr. Ma Ting Wai Barry is interested or deemed to be interested under the SFO.

## 2. Particulars of Directors' service agreements

- (a) Each of our executive Directors has entered into a service agreement with our Company effective from the Listing Date, which has no fixed term and may be terminated in accordance with the terms of the individual service agreement. Pursuant to their respective service agreements, each of Mr. Li and Mr. Poon is entitled to an annual salary of HK\$615,000 and HK\$987,000, respectively, commission based on business performance and discretionary bonus to be determined by our Group.
- (b) Our non-executive Director, Mr. Cheung Wai Hung, has entered into a letter of appointment with our Company for a fixed term of three years commencing from the Listing Date, which may be terminated in accordance with its terms. Pursuant to his letter of appointment, Mr. Cheung Wai Hung will not receive any director's fee or any other remuneration for holding his office as a non-executive Director.

- (c) Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a fixed term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the individual letter of appointment. Each of Mr. Pun Kin Wa, Mr. Tsang Man Biu and Mr. Lee Kwok Tung Louis is entitled to an annual director's fee of HK\$180,000. Save for the director's fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

### 3. Remuneration of Directors

- (a) The aggregate amount of fees, salaries, contributions to retirement benefit scheme contributions, discretionary, bonuses, housing and other benefits in kind granted to the Directors in respect of each of the two financial years ended 30 April 2016 and the five months ended 30 September 2016 were approximately HK\$1,650,000, HK\$1,855,000 and HK\$683,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments payable by our Group to our Directors for the year ending 30 April 2017 is estimated to be approximately HK\$1.8 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payments pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<i>Executive Directors</i>	
Mr. Li	615,000
Mr. Poon	987,000
<i>Non-executive Director</i>	
Mr. Cheung Wai Hung	—
<i>Independent non-executive Directors</i>	
Mr. Pun Kin Wa	180,000
Mr. Tsang Man Biu	180,000
Mr. Lee Kwok Tung Louis	180,000

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years ended 30 April 2016 and the five months ended 30 September 2016.
- (e) The remuneration of our Directors was determined by reference to their qualifications, experience, duties and responsibilities with our Group, prevailing market rates and performance of our Group.

- (f) None of our Directors or any past directors of any members of our Group has been paid any sum of money for each of the two financial years ended 30 April 2016 and the five months ended 30 September 2016 (1) as an inducement to join or upon joining our Company; or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.

#### **4. Agency fees or commissions received**

Save as disclosed in the subsection headed “Underwriting — Commission and Expenses” in this prospectus, and in the subsection headed “E. Other Information — 3. Sponsor” in this Appendix, none of our Directors nor the experts named in the subsection headed “E. Other Information — 8. Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

#### **5. Related party transactions**

Details of the related party transactions are set out under Note 35 to the Accountants’ Report of our Company set out in Appendix I to this prospectus.

#### **6. Disclaimers**

Save as disclosed herein:

- (a) taking no account of any Shares to be issued upon exercise of any Options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the Repurchase Mandate as referred to in the subsection headed “A. Further Information about our Company and our Subsidiaries” in this Appendix, and taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;
- (b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the



register referred to therein, or would be required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

- (c) none of the Directors nor the experts named in the subsection headed “E. Other Information — 7. Qualifications of experts” in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by, or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors nor the experts named in the subsection headed “E. Other Information — 7. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors nor the experts named in the subsection headed “E. Other Information — 7. Qualifications of experts” in this Appendix has any shareholding in any member of our Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in our five largest customers or our five largest suppliers of our Group; and
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (which is not determinable by the employer within one year without payment of compensation (other than statutory compensation)).

#### **D. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme. Conditionally approved and adopted by a written shareholder’s resolution of our Company dated 27 March 2017, it does not form part of, nor was it intended to be part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) *Summary of terms*

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 27 March 2017:

(i) *Purpose of Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, clients, business partners and service providers of our Group and to promote the success of the business of our Group.

(ii) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, client, business partner or service provider of our Group, options to subscribe, at a price calculated in accordance with paragraph (iii) below, for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

(iii) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the Offer Price shall be used as the closing price for any business day fall within the period before the Listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.0.

(v) *Maximum number of Shares*

- (aa) subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 80,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 80,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) the 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting 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 schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) subject to sub-paragraph (dd) below, our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.
- (dd) the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive 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 option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
  - a. representing in aggregate over 0.1% of the Shares in issue; and
  - b. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associates and all core connected persons of our Company shall abstain from voting in favour at such general meeting. Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by Shareholders in the aforesaid manner.

*(viii) Restrictions on the times of grant of options*

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately before the earlier of:
- a. the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving our Company's results for any annual, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
  - b. the deadline for our Company to announce its results for any annual, half-year or quarterly period under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules),
- and ending on the date of the results announcement.
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:
- a. during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
  - b. during the period of 30 days immediately preceding the publication date of the quarterly results and half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

*(ix) Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

*(x) Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period or performance target which must be achieved before any of the options can be exercised.

*(xi) Ranking of shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

*(xii) Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

*(xiii) Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which such option has become exercisable and has not already been exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

*(xiv) Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

*(xv) Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

*(xvi) Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a Capitalisation Issue), provided that any alteration shall give a grantee as near as possible the same proportion of the issued share capital of our Company as that to which he/she was previously entitled, but no adjustment shall be made if the effect of such adjustment would be to enable a Share to be issued at less than its nominal value.

*(xvii) Rights on general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

*(xviii) Rights on winding-up*

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription

price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

*(xix) Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

*(xx) Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);



- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

*(xxi) Cancellation of options granted but not exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation.

*(xxii) Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

*(xxiii) Alteration to the Share Option Scheme*

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any alteration to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

- (dd) Any change to the authority of the Directors or scheme administrators in relation to any alteration of the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

*(xxiv) Termination of Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

*(xxv) Conditions of the Share Options Scheme*

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

**(b) Present status of the Share Option Scheme**

Application has been made to the Listing Division for the listing of, and permission to deal in 80,000,000 Shares which may fall to be issued upon exercise of any options which may be granted under the Share Option Scheme.

As at the date of this Prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

**E. OTHER INFORMATION**

**1. Tax and other indemnities**

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Company (for ourselves and as trustee for other Group members) referred to in the subsection headed “B. Further Information about the Business of our Company — 1. Summary of material contracts” in this Appendix, pursuant to which our Controlling Shareholders have given indemnities in favour of our Group from and against, among other things, (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the Listing Date; (b) any tax liability which might be payable by any member of our Group in respect of, amongst other matters, any income, profits or gains earned, accrued or received up to the Listing Date; (c) any action, claims, losses, charges, penalties which any member of the Group may incur or suffer as a result of or in connection with any failure to comply with relevant laws and regulations up to the Listing Date, and the reasonable costs and expenses incurred in connection with the actions, claims, legal or arbitration proceedings related thereto, any damages, losses, liabilities, claims, expenses and costs arising from any eviction or restraint from use or early termination of any lease prior to expiry of its term in respect of any property leased by our Group, including all costs for relocation from any such property in the event that our Group is subject to

any eviction or restraint from use of such property as a result of the implementation of the Reorganisation or failure to obtain landlord's and/or mortgagee's consent in respect of the lease of such properties or breach of user conditions.

Our Controlling Shareholders will not however, be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) to the extent that provision, reserve or allowance has been made for such taxation liability in the audited accounts of any member of our Group for each of the two financial years ended 30 April 2016 and the five months ended 30 September 2016; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of the Deed of Indemnity; or
- (c) to the extent any provisions or reserve made for taxation in the audited accounts of our Group or any member of our Group up to 30 September 2016 which is finally established to be an over-provision or an excessive reserve, then the amount of any such provision or reserve shall be applied to reduce our Controlling Shareholders' liability by an amount not exceeding such over-provision or excess reserve; or
- (d) the taxation liability arises in the ordinary course of business of our Group after the Listing Date.

In the event that our Controlling Shareholders have indemnified our Group for any tax liability and payment arising from any additional assessment by any tax authority pursuant to the Deed of Indemnity referred to above, our Company shall disclose such fact and relevant details by way of an announcement immediately after the payment of indemnification by our Controlling Shareholders.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

## **2. Litigation**

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in the subsection headed "Business — Litigation" and the subsection headed "Business — Compliance" in this prospectus, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

## **3. Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under the GEM Listing Rules.

The fee payable by our Company to the Sole Sponsor to act as sponsor in relation to the Listing is HK\$4,000,000.0, and the Sole Sponsor will be reimbursed for their expenses properly incurred in connection with the Share Offer.

#### **4. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$43,165 and are payable by our Company.

#### **5. Promoter**

Our Company has no promoter within two years preceding the date of this prospectus and no amount or benefit has been paid or given to any promoter in connection with the Share Offer or the related transactions described in this prospectus.

#### **6. Compliance adviser**

Our Company has agreed to appoint Dakin Capital Limited as our compliance adviser upon Listing in compliance with Rule 6A.19 of the GEM Listing Rules.

#### **7. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Dakin Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Chung Kin Hong, Kenneth	Barrister-at-law of Hong Kong
Iu, Lai & Li	A firm of solicitors in Hong Kong and legal adviser as to Hong Kong law
China Insights Consultancy Limited	Industry consultant
SHINEWING Tax and Business Advisory Limited	Tax adviser

**8. Consent of experts**

Each of the parties listed in the subsection headed “E. Other Information — 7. Qualification of experts” in this Appendix has given and has not withdrawn its/his written consent to the issue of this Prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his name included herein in the form and context in which they respectively appear.

**9. 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 (WUMP) Ordinance so far as applicable.

**10. Registration procedures**

The principal register of members of our Company in the Cayman Islands will be maintained by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. 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 Hong Kong Branch Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

**11. No material adverse change**

Save as disclosed in the subsection headed “Financial Information — No Material Adverse Change” in this Prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 30 April 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the Latest Practicable Date.

**12. Taxation of holders of Shares****(a) Hong Kong**

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

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) Cayman Islands**

Under the present law of the Cayman Islands, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**13. Miscellaneous**

(a) Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus:
  - (aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
  - (cc) no commission has been paid or is payable (except to sub-underwriter(s)) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;
- (ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
- (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (iv) 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 24 months immediately preceding the date of this prospectus;
- (v) none of the experts named in the subsection headed “E. Other Information — 7. Qualifications of experts” in this Appendix:
  - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; nor
  - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;

- (vi) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (viii) our Group has no outstanding convertible debt securities; and
- (ix) the English text of this prospectus shall prevail over the Chinese text.

#### **14. Bilingual Prospectus**

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

<p style="text-align: center;"><b>APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b></p>
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**A. 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 (i) copies of the **WHITE, YELLOW** and **GREEN** Application Forms; (ii) the written consents referred to in the subsection headed “Statutory and General Information — E. Other Information — 8. Consents of experts” in Appendix IV to this prospectus; and (iii) copies of the material contracts referred to in the subsection headed “Statutory and General Information — B. Further Information about the Business of our Company — 1. Summary of material contracts” in Appendix IV to this prospectus.

**B. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of our Company at Unit 1509, 15/F., Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association;
- (b) the Articles;
- (c) the Accountants’ Report of the Company prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;
- (d) the letter on unaudited pro forma financial information issued by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the audited combined financial statements of the companies comprising the Group for the two financial years ended 30 April 2016 and the five months ended 30 September 2016;
- (f) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the company law of the Cayman Islands as referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the legal opinion of the Hong Kong Legal Adviser;
- (i) the legal opinion of Mr. Chung Kin Hong, Kenneth;
- (j) the Tax Opinion of the Tax Adviser;
- (k) the CIC Report;
- (l) the service contracts and letters of appointment referred to in the subsection headed “Statutory and General Information — C. Further Information about Directors, Substantial Shareholders and Experts — 2. Particulars of Directors’ service agreements” in Appendix IV to this prospectus;



**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (m) the rules of the Share Option Scheme;
- (n) the material contracts referred to in the subsection headed “Statutory and General Information — B. Further Information about the Business of our Company — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (o) the written consents referred to in the subsection headed “Statutory and General Information — E. Other Information — 8. Consents of experts” in Appendix IV to this prospectus.

WINDMILL Group Limited  
海鑫集團有限公司