



LUMINA GROUP LIMITED

瑩嵐集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8470

SHARE OFFER

Sole Sponsor

CLC CLC INTERNATIONAL LIMITED
創僑國際有限公司

Sole Bookrunner

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

Joint Lead Managers

CLC CLC SECURITIES LIMITED
創僑證券有限公司

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

IMPORTANT

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



LUMINA GROUP LIMITED 瑩嵐集團有限公司

(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	:	150,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Placing Shares	:	135,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of Public Offer Shares	:	15,000,000 Shares (subject to reallocation)
Offer Price	:	Not more than HK\$0.47 per Offer Share and expected to be no less than HK\$0.33 per Offer Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	8470

Sole Sponsor



Sole Bookrunner



Joint Lead Managers



Co-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 section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or about Thursday, 12 October 2017 or such later date as may be agreed between the parties. If, for any reason, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. The Offer Price will not be more than HK\$0.47 per Offer Share and is expected to be not less than HK\$0.33 per Offer Share, unless otherwise announced. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.lumina.com.hk.

Prospective investors of the Offer Shares should note that the Sole Bookrunner (for itself and on behalf of the Underwriters) may in its absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreement with immediate effect if any of the events set forth under the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" of this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Bookrunner (for itself and on behalf of the Underwriters) terminate the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Share Offer will not proceed and will lapse.

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

CHARACTERISTICS OF GEM

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

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

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

EXPECTED TIMETABLE

2017
(Note 1)

Public Offer commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on Friday, 29 September
Application lists for Public Offer open (Note 2)	11:45 a.m. on Wednesday, 11 October
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Wednesday, 11 October
Latest time to give electronic application instructions to HKSCC (Note 3)	12:00 noon on Wednesday, 11 October
Application lists for Public Offer close (Note 2)	12:00 noon on Wednesday, 11 October
Expected Price Determination Date on or before (Note 4)	Thursday, 12 October
Announcement of the final Offer Price, indication of the levels of interest in the Placing, the results of application and the level and the basis of allocation of the Public Offer Shares to be published in our Company's website at www.lumina.com.hk and the website of the Stock Exchange at www.hkexnews.hk on or before	Tuesday, 24 October
Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at www.lumina.com.hk and the website of the Stock Exchange at www.hkexnews.hk (for further details, please refer to the section headed "How to Apply for Public Offer Shares — 10. Publication of results" of this prospectus) on or before	Tuesday, 24 October
Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function on	Tuesday, 24 October
Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before (Notes 5 to 9)	Tuesday, 24 October
Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before (Notes 5 to 8 and 10)	Tuesday, 24 October
Dealings in Shares on GEM expected to commence at 9:00 a.m. on	Wednesday, 25 October

The application for the Public Offer Shares will commence on Friday, 29 September 2017 through Wednesday, 11 October 2017, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 24 October 2017. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 25 October 2017.

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 11 October 2017, the application lists will not open on that day. For further details, please refer to the section headed “How to Apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to Apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
4. The Price Determination Date is expected to be on or before Thursday, 12 October 2017 or such later date as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed on or before Thursday, 12 October 2017 between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
5. Share certificates for the Public Offer Shares are expected to be issued on or before Tuesday, 24 October 2017 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 25 October 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Tuesday, 24 October 2017 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

7. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
8. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to Apply for Public Offer Shares — 13. Despatch/collection of share certificates and refund monies” of this prospectus.
9. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.47 per Offer Share.
10. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreement has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

EXPECTED TIMETABLE

In the event of any change to the above expected timetable after the date of this prospectus, an announcement will be made on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.lumina.com.hk accordingly. All Share certificates will only become valid certificates of title of the Shares which they relate provided that the Share Offer has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

For further details of the structure and conditions of the Share Offer, you should refer to the section headed "Structure and Conditions of the Share Offer" of this prospectus.

CONTENTS

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

Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, and any of their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer.

The contents on the website at www.lumina.com.hk, which is the official website of our Company, do not form part of this prospectus.

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	v
SUMMARY	1
DEFINITIONS	12
FORWARD-LOOKING STATEMENTS	21
RISK FACTORS	22
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	33
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	36
CORPORATE INFORMATION	39
INDUSTRY OVERVIEW	41
REGULATORY OVERVIEW	53
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	69
BUSINESS	77

CONTENTS

	<i>Page</i>
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	133
FUTURE PLANS AND USE OF PROCEEDS	138
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	147
SUBSTANTIAL SHAREHOLDERS	158
SHARE CAPITAL	159
FINANCIAL INFORMATION	162
UNDERWRITING	193
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	200
HOW TO APPLY FOR PUBLIC OFFER SHARES	206
APPENDIX I — ACCOUNTANTS' REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

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

There are risks associated with investment in companies listed on GEM. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We are an established fire safety services provider in Hong Kong, focusing on building fire safety. Our services cover the design, supply and installation of fire safety systems including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment for newly built and existing buildings in Hong Kong. We also provide repair and maintenance services on fire safety systems to satisfy Fire Services Department’s requirements. To supplement our repair and maintenance services, we also supply fire equipment to our customers.

The following table sets out a breakdown of our revenue by segment during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Fire safety system installation						
New buildings	6,628	14.4	23,424	31.3	30,368	33.2
Existing buildings	30,462	66.1	43,605	58.3	53,867	58.8
Sub-total	<u>37,090</u>	<u>80.5</u>	<u>67,029</u>	<u>89.6</u>	<u>84,235</u>	<u>92.0</u>
Repair and maintenance	<u>9,010</u>	<u>19.5</u>	<u>7,743</u>	<u>10.4</u>	<u>7,290</u>	<u>8.0</u>
Total	<u><u>46,100</u></u>	<u><u>100.0</u></u>	<u><u>74,772</u></u>	<u><u>100.0</u></u>	<u><u>91,525</u></u>	<u><u>100.0</u></u>

The following table sets out our gross profit and gross profit margin during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Fire safety system installation	12,960	34.9	22,950	34.2	28,023	33.3
– New buildings	1,675	25.3	7,342	31.3	9,649	31.8
– Existing buildings	11,285	37.0	15,608	35.8	18,374	34.1
Repair and maintenance	<u>4,451</u>	<u>49.4</u>	<u>2,581</u>	<u>33.3</u>	<u>1,817</u>	<u>24.9</u>
	<u><u>17,411</u></u>	<u><u>37.8</u></u>	<u><u>25,531</u></u>	<u><u>34.1</u></u>	<u><u>29,840</u></u>	<u><u>32.6</u></u>

SUMMARY

BUSINESS MODEL

Fire safety system installation services

We provide design, supply and installation of fire safety systems including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment for newly built and existing buildings in Hong Kong. Our services generally involve (i) the design of fire safety systems; (ii) the installation of evacuation and electrical fire alarm systems; (iii) the installation of water and gas suppression systems; and (iv) the installation of portable fire equipment. The hardware devices used in the evacuation and electrical fire alarm systems are mainly the fire control panels, fire and smoke detectors, visual and audio fire alarms, emergency lighting, etc. Water and gas suppression systems includes water pumps, water pipes, sprinkler heads, hose reels, etc. Portable fire equipment includes portable fire extinguishers and other portable hand-operated appliances, etc.

Projects undertaken during the Track Record Period

We have generated revenue from 842, 647 and 753 fire safety system installation projects for the years ended 31 March 2015, 2016 and 2017 respectively, of which 12, 17 and 23 projects were new building projects respectively, and the contract value for those projects was relatively higher than existing building projects given that the project scales were generally larger. In general, our new building projects and our existing building projects were similar in terms of scope of services, cost structure, cash flow requirement and risk profile during the Track Record Period.

The following table sets out the number of fire safety system installation projects with revenue contribution during the Track Record Period:

	Number of projects with revenue contribution For the year ended 31 March		
	2015	2016	2017
Fire safety system installation			
— New buildings	12	17	23
— Existing buildings	830	630	730
	<hr/>	<hr/>	<hr/>
Total	842	647	753
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The following table sets out the average revenue recognised per project with revenue contribution during the Track Record Period:

	Average revenue recognised per project For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fire safety system installation			
— New buildings	552	1,378	1,320
— Existing buildings	37	69	74
	<hr/>	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SUMMARY

Repair and maintenance services

According to the Fire Service (Installations and Equipment) Regulations, fire safety systems are subject to annual inspections. Our Group, as a registered fire service installation contractors, is able to provide maintenance services for existing building fire services systems. Such maintenance services generally include inspection of the fire safety system such as smoke detectors and sprinklers, and emergency call-out services offering 24-hour response to emergency situations such as fire alarm detection and sounder reset, lock out fire control panels, etc. In case of any defects noticed, we will give our customers a quote for repair works. If our quote is accepted, we will assign our staff or subcontractors to carry out the repair works.

For the years ended 31 March 2015, 2016 and 2017, revenue generated from our repair and maintenance services accounted for 19.5%, 10.4% and 8.0% of our revenue respectively, the majority of which was generated from Customer L for its managed facilities. Moreover, we undertook numerous miscellaneous repair and maintenance works during the Track Record Period with order value below HK\$10,000. The scope of works of those work orders mainly included replacement of fire equipment and annual inspection on fire safety systems.

We are mainly invited by our customers by fax, email and phone to submit a tender, or to provide a quotation, for a potential project. We are provided with the tender documents which mainly contain the work specifications and drawings along with the invitation. For the years ended 31 March 2015, 2016 and 2017, the revenue recognised from contracts obtained through tender (for both fire safety system installation projects and repair and maintenance projects) amounted to approximately HK\$28.3 million, HK\$56.9 million and HK\$68.8 million respectively, which represented approximately 61.4%, 76.1% and 75.2% of our total revenue for the corresponding periods. For the years ended 31 March 2015, 2016 and 2017, the number of tenders submitted by our Group for our fire safety system installation projects and repair and maintenance projects were 264, 279 and 212 respectively, with the respective success rates of attaining engagement for projects tendered were 19.3%, 17.6% and 21.2% respectively.

COMPETITIVE STRENGTHS

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

- i. We are an established fire safety services provider with solid customer base and long-term relationships with well-known construction contractors and property managers in Hong Kong. Please refer to the sections headed "Business — Licences and permits" and "Business — Business strategies" for further details on (i) the licenses and registrations already obtained by the Group as at the Latest Practicable Date; and (ii) the plan of our Group to apply for additional qualifications from the Development Bureau and the Housing Authority, respectively
- ii. We maintain stable and long-term relationships with most of our major suppliers and subcontractors
- iii. We have an experienced management and engineering team to deliver the required fire safety services

For details, please refer to the section headed "Business — Competitive strengths" of this prospectus.

SUMMARY

BUSINESS STRATEGIES

We aim to achieve sustainable business growth and further strengthen our overall competitiveness in the fire safety industry in Hong Kong. To achieve this, it is our Directors' plan to continue to leverage our competitive strengths and implement the following strategies:

- i. Continue to advance our capability in order to capture the market growth in the public sector;
- ii. Continue to expand and increase our fire safety system installation services capacity;
- iii. Continue to provide high quality repair and maintenance services; and
- iv. Enhance our information management systems.

For details, please refer to the section headed "Business — Business strategies" of this prospectus.

CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Customers

We maintain a diversified customers base comprising customers from both private sector (property owners and tenants, construction contractors and property managers) and public sector (government-related organisations and non-governmental organisations). Our Group's fire safety services cover different types of buildings, including commercial (e.g. offices, hotels and shopping malls, etc), composite (a combination of any two or more of domestic, commercial or institutional usage), institutional (e.g. schools, hospitals and universities) and residential. We had business relationships with our five largest customers on average for approximately four years as at 31 March 2017. For the years ended 31 March 2015, 2016 and 2017, our five largest customers in aggregate accounted for approximately 38.8%, 39.3% and 45.6% respectively of our revenue while the largest customer accounted for approximately 20.3%, 12.7% and 12.5% respectively of our revenue.

The following table sets forth the revenue recognised by customer type during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private Sector	44,931	97.5	73,731	98.6	90,479	98.9
– Owner and tenants	17,383	37.7	17,133	22.9	21,935	24.0
– Property managers	10,838	23.5	11,183	15.0	12,453	13.6
– Construction contractors (Note)						
– As a domestic subcontractor	14,028	30.5	40,674	54.4	49,844	54.5
– As a nominated subcontractor	2,682	5.8	4,741	6.3	6,247	6.8
Public Sector	1,169	2.5	1,041	1.4	1,046	1.1
– Government-related organisations	599	1.3	451	0.6	403	0.4
– Non-governmental organisations	570	1.2	590	0.8	643	0.7
	<u>46,100</u>	<u>100.0</u>	<u>74,772</u>	<u>100.0</u>	<u>91,525</u>	<u>100.0</u>

Note: Our Group acts as a domestic subcontractor for projects when engaged by the construction contractors and as a nominated subcontractor for projects when engaged by the main contractor through the nomination of the ultimate owners of the projects, such as property owners.

SUMMARY

The following table sets out a breakdown of our revenue by building type of the properties during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Commercial	33,730	73.2	47,481	63.5	58,840	64.3
Composite	3,166	6.9	10,177	13.6	9,381	10.3
Institutional	7,904	17.1	12,824	17.2	19,791	21.6
Residential	1,300	2.8	4,290	5.7	3,513	3.8
Total	<u>46,100</u>	<u>100.0</u>	<u>74,772</u>	<u>100.0</u>	<u>91,525</u>	<u>100.0</u>

Suppliers and Subcontractors

Our suppliers, all located in Hong Kong, mainly include suppliers of fire safety services related materials and equipment such as fire control panels, fire and smoke detectors, metal accessories water pipes and water pumps. We have developed close business relationship with our five largest suppliers. Our five largest suppliers had business relationship with us in average for approximately six years as at 31 March 2017. For the years ended 31 March 2015, 2016 and 2017, our five largest suppliers accounted for approximately 15.5%, 19.4% and 15.3%, respectively, of our total direct costs, and our largest supplier accounted for approximately 7.9%, 8.9% and 6.4%, respectively, of our direct costs during the same periods.

Our subcontractors consist of sole proprietors and private companies, all of which are located in Hong Kong. We subcontracted out some of our fire safety system installation works, such as installation of evacuation and electrical fire alarm system and water and gas suppression system, to Independent Third Parties. We have developed close business relationship with our five largest subcontractors. Most of these five largest subcontractors had business relationship with us for over 10 years as at 31 March 2017. For the years ended 31 March 2015, 2016 and 2017, our five largest subcontractors accounted for approximately 43.3%, 45.2% and 44.5%, respectively, of our direct costs, and our largest subcontractor accounted for approximately 16.5%, 14.4% and 14.4%, respectively, of our direct costs during the same periods.

SHAREHOLDING STRUCTURE

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that no Share is issued pursuant to the exercise of the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme), Mr. Fok, through Foxfire, will be interested in 71.3% of the issued share capital of our Company. In view of the aforesaid, each of Foxfire and Mr. Fok will be our Controlling Shareholder within the meaning of the GEM Listing Rules.

SUMMARY

PRE-IPO INVESTMENT

Team Vantage is an investment holding company incorporated in the Republic of Seychelles on 4 May 2016, and the shares of which are legally and beneficially and wholly-owned by Mr. Cheng, who is also the sole director of Team Vantage. Prior to its investment in our Group, Team Vantage was an Independent Third Party. To the best knowledge and belief of our Directors, Mr. Cheng became acquainted with Mr. Fok, our executive Director and Controlling Shareholder, through their respective business network in 2015, and decided to invest in our Group through Team Vantage in view of the prospects and growth potential of our Group. The source of funding of Team Vantage's investment in our Group was from the personal resources of Mr. Cheng.

KEY OPERATING AND FINANCIAL DATA

The following table presents the summary of our Group's financial information during the Track Record Period.

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Selected consolidated statements of profit or loss and other comprehensive income</i>			
Revenue	46,100	74,772	91,525
Gross profit	17,411	25,531	29,840
Profit before taxation	14,586	21,860	16,582
Profit and total comprehensive income for the year	12,191	18,208	12,570
		As at 31 March	
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Selected consolidated statements of financial position</i>			
Non-current assets	397	395	762
Current assets	26,514	26,413	38,840
Current liabilities	7,635	13,785	14,009
Net current assets	18,879	12,628	24,831
Total equity	19,276	13,023	25,593

SUMMARY

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our principal business of provision of (i) fire safety system installation services; and (ii) repair and maintenance services.

Projects in progress

Subsequent to the Track Record Period, we had 39 fire safety system installation projects in progress, in which their individual contract value exceeds HK\$100,000. The following table sets out a breakdown of such projects in progress:

	Number of projects in progress	Average contract sum per project <i>HK\$'000</i>	Aggregate contract sum of all projects in progress <i>HK\$'000</i>	Corresponding amount of revenue expected to be recognised after the Track Record Period <i>HK\$'000</i>
Fire safety system installation				
— New buildings	11	6,004	66,045	55,033
— Existing buildings	28	1,902	53,258	34,954
Total	39		119,303	89,987

The relatively higher average contract sum per project from new buildings was mainly attributable to the larger project scale of a new building than that of an existing building. In a new building project, our Group is normally responsible for the fire safety system installation of the entire building, while an existing building project may involve only part of a building or part of the fire safety system.

Project awarded but not commenced as at the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract value of the fire safety system installation projects for new buildings and existing buildings awarded to us but not commenced amounted to approximately HK\$10.6 million and HK\$0.5 million respectively.

LISTING EXPENSES

Assuming the Offer Size Adjustment Option is not exercised and assuming the Offer Price is fixed at HK\$0.40 per Offer Share, being the mid-point of the indicative Offer Price range, we expect that our total listing expenses, which are non-recurring in nature, will amount to approximately HK\$21.0 million, of which approximately HK\$6.0 million is directly attributable to the issue of new Offer Shares and to be accounted for as a deduction from equity in the year ending 31 March 2018 following completion of the Share Offer. Approximately HK\$7.4 million has been recognised and charged to the profit or loss account during the year ended 31 March 2017. The remaining estimated listing expenses of approximately HK\$7.6 million will be charged to the profit or loss account upon Listing.

SUMMARY

Accordingly, the financial results of our Group for the year ending 31 March 2018 are expected to be affected by the estimated expenses in relation to the Listing. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised in the consolidated statements of profit or loss and other comprehensive income of our Group for the year ending 31 March 2018 will be subject to adjustment based on audit and the then changes in variables and assumptions.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Our Directors believe that the listing of the Shares on GEM will strengthen our position as a fire safety service provider in Hong Kong, improve our ability to recruit, motivate and retain key management personnel, enhance our market reputation and brand awareness as well as increase our bargaining power in negotiating terms with our business partners.

Our Directors are optimistic about the fire safety industry and consider to expand and develop our Company to capture the market growth in the industry. To demonstrate the long term commitment of our Controlling Shareholders to our Group, and their confidence in our Group's implementation of business expansion plan as well as future development, each of our Controlling Shareholders has given an irrevocable non-disposal undertaking to extend the lock-up period for 24 months from the Listing Date and will not during the same period, among others, cease to be a controlling shareholder (within the meaning defined in the GEM Listing Rules) of our Company.

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and based on the Offer Price of HK\$0.40 per Offer Share) will be approximately HK\$39.0 million, assuming that the Offer Size Adjustment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- Approximately 10.8% of the total estimated net proceeds, or approximately HK\$4.2 million, will be used to advance our capability in order to capture the market growth in the public sector by applying for admission to the List of Approved Specialists for Public Works and the list of specialist contractors maintained by the Housing Authority;
- Approximately 57.7% of the total estimated net proceeds, or approximately HK\$22.5 million, will be used to expand and increase our fire safety system installation services capacity. To do so, we need to reserve more capital (i) to pay for performance bonds of approximately HK\$2.5 million; and (ii) as initial payment for our direct costs of approximately HK\$20.0 million;
- Approximately 19.2% of the total estimated net proceeds, or approximately HK\$7.5 million, will be used to expand our repair and maintenance team;
- Approximately 3.3% of the total estimated net proceeds, or approximately HK\$1.3 million, will be used to enhance our information management system; and
- Approximately 9.0% of the total estimated net proceeds, or approximately HK\$3.5 million, will be used as general working capital.

Please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus for further information on our use of the net proceeds of the Share Offer.

SUMMARY

DIVIDENDS

During the years ended 31 March 2015, 2016 and 2017, KY Contracting declared and paid dividends of approximately HK\$2.7 million, HK\$24.5 million and nil to Mr. Fok, respectively. Such dividend was fully settled in March 2016. Our Group financed the payment of such dividend by our available cash and cash equivalents prior to Listing. Save as disclosed above, no dividends have been paid or declared by KY Contracting since 2006. Our Company currently does not have a dividend policy and may declare dividends by way of cash or by other means that our Directors consider appropriate. Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions and other factors that we may consider relevant, and is subject to our discretion. We expect a healthy liquidity position can be maintained after distribution of dividends. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The dividend payment will reduce our liquidity position as cash balance will be reduced accordingly.

RISK FACTORS

We believe the followings are some of the major risks that may have a material adverse effect on us:

- Our revenue is mainly derived from projects which are not recurring in nature
- Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin
- 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
- We rely on our senior management staff, and their departure would adversely affect our operations and financial results
- We rely on our subcontractors, who are Independent Third Parties, to complete our contract works and there is no assurance that our subcontractors will always follow strictly all of our instructions
- We depend on our suppliers for fire equipment and related accessories, and any shortage or delay of supply, or deterioration in quality, of the same could materially and adversely affect our operations

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had records of certain non-compliance of Hong Kong regulatory requirements. In August 2014, a Certificate of Fire Service Installations and Equipment issued by KY Contracting in March 2014 was found to have incorrectly included information of a ventilation/air conditioning control system which did not exist in the relevant property. In October 2015, some of the sprinklers inspected by KY Contracting were found to have failed to conform with the relevant requirements of the Fire Services Department, and rendered the certificate issued by KY Contracting in August 2015 incorrect. A Certificate of Fire Service Installations and Equipment issued by KY Contracting in October 2015 was incorrectly dated.

SUMMARY

Moreover, due to the accounting errors in relation to the recognition of our Group's contract revenue and the corresponding cost, the profits reported in the tax returns filed to the IRD by our Group for the years of assessment 2013/14 and 2014/15 were understated, and the resulted tax undercharged was approximately HK\$1.1 million and HK\$0.4 million, respectively. The related maximum potential tax penalty would be HK\$450,000 in aggregate (being 30% of the tax undercharged).

We have taken appropriate rectification actions (if applicable) in relation to such non-compliance incident and have strengthened our internal control measures to prevent future breaches and ensure on-going compliance. All such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial and operational aspects.

For details of our non-compliances, please refer to the section headed "Business — Non-compliance" in this prospectus.

APPLICATION FOR THE OFFER SHARES

The application for the Hong Kong Public Offer Shares will commence on Friday, 29 September 2017 through Wednesday, 11 October 2017, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 24 October 2017. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 25 October 2017.

OFFER STATISTICS

	Based on the Offer Price of HK\$0.33 per Offer Share	Based on the Offer Price of HK\$0.47 per Offer Share
Market capitalisation (<i>Note 1</i>)	HK\$198.0 million	HK\$282.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share (<i>Note 2</i>)	HK\$0.10	HK\$0.14

Note 1: The number of Offer Shares and the calculation of the market capitalisation of the Shares are based on the enlarged issued capital of 600,000,000 Shares, being the aggregate number of Shares in issue as at the date of this prospectus and the number of Shares to be issued pursuant to the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

Note 2: The unaudited pro forma adjusted consolidated net tangible asset per Share attributable to the owners of our Company has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the listing expenses to be incurred as stated in the paragraphs headed "Listing expenses" in this section, (i) there were no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position since 31 March 2017 and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 31 March 2017 and up to the date of this prospectus; and (iii) no event had occurred since 31 March 2017 and up to the date of this prospectus that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DEFINITIONS

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

“Accountants’ Report”	the report of the Reporting Accountant, the text of which is set out in Appendix I to this Prospectus
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, conditionally adopted on 22 September 2017 and to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as supplemented, amended or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Buildings Department”	the Buildings Department of the government of Hong Kong
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the allotment and issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Further information about the business of our Group — Written resolutions of the Shareholders” 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

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“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
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or CCASS Investor Participant
“China” or the “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references to China or the PRC exclude Hong Kong, Macau and Taiwan
“CLC International” or “Sole Sponsor”	CLC International Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, acting as the sole sponsor in relation to the Listing
“CLC Securities”	CLC Securities Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities, acting as one of the joint lead managers in relation to the Share Offer
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“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” or “our Company”	Lumina Group Limited (瑩嵐集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 July 2016
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and, for the purpose of this prospectus, refers to Mr. Fok and Foxfire
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“Customer L”	the manager of a REIT listed on the Stock Exchange with 157 properties under its management including retail facilities, fresh markets, car parks and offices across Hong Kong and Mainland China as at 31 March 2017, being one of our five largest customers
“Deed of Indemnity”	a deed of indemnity dated 22 September 2017 executed by our Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for our subsidiaries), particulars of which are summarised in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 22 September 2017 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee of each of our subsidiaries from time to time), particulars of which are summarised in the paragraph headed “Relationship with our Controlling Shareholders — Non-competition undertaking” in this prospectus
“Development Bureau”	the Development Bureau of Hong Kong
“Director(s)”	the director(s) of our Company
“Foxfire”	Foxfire Limited, a company incorporated in the BVI on 4 July 2016 with liability limited by shares, which is wholly owned by Mr. Fok
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent industry consultant engaged by our Company
“Frost & Sullivan Report”	an independent industry research report commissioned by our Company prepared by Frost & Sullivan on the fire safety industry in Hong Kong
“FSD” or “Fire Services Department”	the Fire Services Department of the government of Hong Kong
“FSI”	the Fire Service Installations

DEFINITIONS

“FSO”	the Fire Services Ordinance (Chapter 95 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Golden Second”	Golden Second Limited, a company incorporated in the BVI on 15 March 2016 with liability limited by shares and a Group Company
“Gransing Securities”	Gransing Securities Co., Limited, a corporation licensed 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, acting as the sole bookrunner and one of the joint lead managers in relation to the Share Offer
“Group”, “we”, “our”, “our Group” and “us”	our Company together with our subsidiaries or, where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation, and “Group Company” means any member of our Group
“HKFRS”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK Legal Advisers”	TC & Co., our Company’s legal advisers as to Hong Kong laws
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong dollar(s)” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Housing Authority”	The Hong Kong Housing Authority
“Independent Third Party(ies)”	individual(s), company(ies) or party(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executives or substantial shareholders of our Company, our subsidiaries or any of our or their respective associates
“Internal Control Adviser”	RSM Consulting (Hong Kong) Limited, an independent internal control adviser engaged by our Company
“IPO(s)”	initial public offering(s)
“IRD”	Inland Revenue Department of Hong Kong
“Joint Lead Managers”	CLC Securities and Gransing Securities
“KY Contracting”	Kin Ying Contracting Limited (堅英工程有限公司), a company incorporated in Hong Kong on 27 December 2002 with limited liability and a Group Company
“KY Engineering”	Kin Ying F.S. Engineering Limited (堅英消防工程有限公司), a company incorporated in Hong Kong on 16 December 2008 with limited liability and a Group Company
“Latest Practicable Date”	21 September 2017, being the latest practicable date for ascertaining certain information in this prospectus prior to the printing of this prospectus
“List of Approved Specialists for Public Works”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works maintained by the Development Bureau as updated from time to time
“Legal Counsel”	Ms. Ng Wing Shan Queenie, barrister-at-law in Hong Kong
“Listing”	the listing and the commencement of dealings of our Shares on GEM
“Listing Date”	the date on which our Shares are listed and dealings in our Shares first commence on GEM, which is expected to be on or about 25 October 2017
“Listing Division”	the listing division of the Stock Exchange

DEFINITIONS

“lock-up period”	the period commencing on the date of this prospectus and ending on the date which is 24 months from the Listing Date (both days inclusive)
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, conditionally adopted on 22 September 2017 and to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as supplemented, amended or otherwise modified from time to time
“Mr. Cheng”	Mr. Cheng Lai Kau (鄭禮九), a pre-IPO investor investing in our Group through Team Vantage
“Mr. Fok”	Mr. Fok Hau Fai (霍厚輝), our Chairman, Chief Executive Officer, an Executive Director and a Controlling Shareholder
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.47 per Share and expected to be not less than HK\$0.33 per Share at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Offer Share(s)”	collectively, the Placing Shares and the Public Offer Shares
“Offer Size Adjustment Option”	the option proposed to be granted by our Company to and exercisable by the Sole Bookrunner (for itself and on behalf of the Underwriters), at its sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 22,500,000 additional Shares, representing 15% of the initial Offer Shares, at the Offer Price as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Sole Bookrunner, the Joint Lead Managers and the Placing Underwriters on behalf of our Company at the Offer Price, as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 135,000,000 new Shares being offered by our Company for subscription under the Placing subject to reallocation and the Offer Size Adjustment Option, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Underwriter(s)”	the underwriter(s) that is/are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sponsor and the Placing Underwriter(s) relating to the Placing
“Practical Completion Certificate”	the certificate issues by architect engineer when the works are substantially completed to a state to permit the occupant to enter into full beneficial occupation
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date to determine the Offer Price
“Price Determination Date”	the date, which is expected to be on or before Thursday, 12 October 2017 or such later date as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, on which the Offer Price is to be fixed by agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) for the purposes of the Share Offer
“Public Offer”	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 15,000,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, whose names are set out under the section headed “Underwriting — Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 28 September 2017 entered into amongst our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters relating to the Public Offer

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“REIT”	real estate investment trust
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, as described in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Reorganisation Agreement”	the reorganisation agreement dated 30 September 2016 entered into between Mr. Fok, Foxfire, Team Vantage and our Company, pursuant to which our Company acquired the entire issued share capital of Golden Second from Mr. Fok and Team Vantage, and in consideration thereof, our Company allotted and issued as fully paid 94 Shares to Foxfire (at the direction of Mr. Fok) and 5 Shares to Team Vantage
“Reporting Accountants”	Deloitte Touche Tohmatsu
“Risk and Technical Committee”	the risk and technical committee of the Board
“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 Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 22 September 2017, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	the holder(s) of our Shares
“Shares”	ordinary shares with a nominal or par value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Sole Bookrunner”	Gransing Securities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“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
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs
“Team Vantage”	Team Vantage Limited (添澤有限公司), a company incorporated in the Republic of Seychelles on 4 May 2016 with limited liability, which is wholly owned by Mr. Cheng and through which Mr. Cheng invested in our Group
“Track Record Period”	the period comprising the three financial years ended 31 March 2015, 2016 and 2017
“Underwriter(s)”	the Public Offer Underwriter(s) and the Placing Underwriter(s)
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US” or “United States”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“we”, “us”	our Company or our Group (as the context may require)
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

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 as arithmetic aggregation of the figures receding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements that are not historical facts, but relate to our beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections entitled “Summary”, “Risk factors”, “Industry overview”, “Business”, and “Financial information”, which are, by their nature, subject to risks and uncertainties.

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

- our business objectives, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of our business;
- our operation and business prospects;
- our dividend policy;
- the regulatory environment of our industry in general;
- the actions and developments of our competitors;
- general economic conditions and capital market developments;
- the future development and trends in our industry; and
- risks identified under the section headed “Risk Factors” in this prospectus.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed “Risk Factors” in this prospectus.

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

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

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

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

We believe that there are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to the Share Offer; and (iv) risks relating to statements in this prospectus.

RISKS RELATING TO OUR BUSINESS

Our revenue is mainly derived from projects which are not recurring in nature and a significant decrease in the number of our projects would affect our operations and financial results

Most of our revenue during the Track Record Period was derived from the provision of fire safety system installation services in Hong Kong, and our engagements with customers were on a project basis and non-recurring in nature. In general, we did not enter into any long-term agreements with our customers as at the Latest Practicable Date. After completion of the projects, our customers may or may not engage us again in subsequent projects. We have to undergo the tendering or quotation process for our new projects.

We cannot assure you that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue. Our operations and financial results would hence be adversely affected.

Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin

For the years ended 31 March 2015, 2016 and 2017, our revenue was approximately HK\$46.1 million, HK\$74.8 million and HK\$91.5 million, respectively. For the same periods, our profit and total comprehensive income was approximately HK\$12.2 million, HK\$18.2 million and HK\$12.6 million respectively. For the years ended 31 March 2015, 2016 and 2017, our gross profit was approximately HK\$17.4 million, HK\$25.5 million and HK\$29.8 million, respectively, whereas our gross profit margin for the same periods was approximately 37.8%, 34.1% and 32.6%, respectively. For discussions on our results of operations, please refer to the section headed "Financial Information" in this prospectus.

RISK FACTORS

There is an inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, deterioration in the market conditions in Hong Kong, intensification of competition in the fire safety industry and other unforeseeable factors such as adverse weather conditions, which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

Our cash flows may deteriorate due to potential difference in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers

We delegate specific work tasks to subcontractors from time to time. We also need to purchase various materials to carry out the contract works. As such, we would record significant cash outflow in the event that we take up too many projects at a particular period of time.

As at 31 March 2015, 2016 and 2017, the trade payables amounted to approximately HK\$2.6 million, HK\$3.9 million and HK\$7.8 million respectively. In addition, the trade payables turnover days were approximately 39.9 days, 32.1 days and 51.9 days for the years ended 31 March 2015, 2016 and 2017 respectively. For details of the fluctuations in our trade payables to our suppliers and the trade payables turnover days, please refer to the section headed “Financial Information — Trade payables” in this prospectus.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention monies by our customers. Nevertheless, even if our customers settle such payments on time and in full, there can be no assurance that we would not experience any significant cash flow mismatch. If there were any significant and substantial cash flow mismatch, we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

Our Group may not be able to maintain or increase its success rate in obtaining projects tendered and quoted

For the years ended 31 March 2015, 2016 and 2017, our Group’s success rate on tendering was approximately 19.3%, 17.6% and 21.2%, respectively.

RISK FACTORS

There are a number of factors in determining the success rate of project tendering, such as the number of invitations to tender in each year and the tenders submitted by our Group's competitors in each project. As the contracts awarded are on a project-by-project basis, we are required to submit a new tender to the same customer for each new project. There is a risk that our Group may not be awarded with new contracts by our customers upon the expiry of the contracts on hand and there is no assurance that our Group will be able to maintain or increase its success rate in obtaining projects tendered and quoted in the future. In the event that our Group is unable to maintain or increase its success rate of project tendering, our revenue and business operations may be materially and adversely affected.

Failure to comply with safety measures and procedures may lead to accidents, personal injuries, property damage or fatal accidents

Our contract works are carried out by subcontractors or our workers which are required to comply with safety measures and procedures during the execution of the projects. Accidents may occur for our Group's projects even though our Group has put in place certain safety measures. Any non-compliance with safety measures may result in occurrences of 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 conditions and results of operations to the extent that these mishaps are not covered by insurance policies.

There is no assurance that the subcontractors will fully comply with the rules, laws or regulations or safety measures and procedures imposed by our Group. In the event that our Group's subcontractors fail to implement safety measures and personal injuries, property damage or fatal accidents occur, litigation may arise which may adversely affect our Group's reputation and financial position.

Our customers may cancel certain contract works by variation orders resulting in the total contract sum of that project reduced

Our contracts generally have variation order clauses. Such variation orders could be addition, modification or cancellation of the contract works. For any contract works to be cancelled, the total contract sum of that project is to be deducted according to the rates and prices of such contract works as stated in the schedule of rates.

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

We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers

In general, we do not receive any sums as prepayment or deposits from our customers. Nevertheless, once our project commences, we have to incur various costs, including but not limited to: (i) purchase costs of fire equipment and related accessories; (ii) salary payments to our workers; and (iii) subcontracting fees. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us.

RISK FACTORS

As at 31 March 2015, 2016 and 2017, the trade receivables amounted to approximately HK\$6.6 million, HK\$9.9 million and HK\$11.6 million respectively. In addition, the trade receivables' turnover days were approximately 52.0 days, 48.3 days and 46.3 days for the years ended 31 March 2015, 2016 and 2017, respectively. For details of the fluctuations in our trade receivables from customers and trade receivables' turnover days, please refer to the section headed "Financial Information — Trade receivables" in this prospectus. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or we will be able to collect all or any part of retention monies from our customers within the agreed credit terms or at all.

Further, disputes may arise between us and our customers as to the value of work properly done in a particular period, and the progress payment that we are entitled to accordingly. There is also a possibility that we may take longer than the trade receivables' turnover days to collect payments. This will negatively affect our cash flows and financial performance.

Failure to retain suitably qualified staff may affect our registration as a fire service installation contractor, and disrupt our business

Fire service installation contractors in Hong Kong need to be registered with the Fire Services Department. There are certain minimum qualification requirements for the registration. Please refer to the section headed "Regulatory Overview — Licences and registrations required for the building fire services business of our Group — Registration as a registered fire service installation contractor" for further details.

At the Latest Practicable Date, KY Contracting was registered as Class 1 and Class 2 fire service installation contractor, and one of its technicians, namely Mr. Lee Wai Hung, was registered as Class 3 registered fire service installation contractor. Our registrations are maintained by virtue of the qualifications of Mr. Wong Chi Chiu, the project director of our Group (see the section headed "Directors, Senior Management and Employees — Senior management" for details of Mr. Wong's qualifications) and one assistant engineer and one supervisor. If these employees are unwilling to continue to serve our Group, we may not be able to identify suitable replacement timely or at all. In such case, we may fail to satisfy the registration requirements and be removed from the Register of Fire Service Installation Contractors. Then our business may be severely interrupted, and our results of operations may be adversely affected.

We rely on our senior management, and their departure may adversely affect our operations and financial results

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our executive Directors and senior management team. If one or more of our executive Directors or members of senior management is/are unable or unwilling to continue in their present positions, we may not be able to identify suitable replacements in a timely manner, or at all. Our business may hence be severely disrupted and our financial condition and operating results may be materially and adversely affected.

RISK FACTORS

Our Group has records of certain non-compliance of Hong Kong regulatory requirements

During the Track Record Period and up to the Latest Practicable Date, we had records of certain non-compliance of Hong Kong regulatory requirements, including the Fire Service (Installations and Equipment) Regulations. In August 2014, a Certificate of Fire Service Installations and Equipment issued by KY Contracting in March 2014 was found to have incorrectly included information of a ventilation/air conditioning control system which did not exist in the relevant property. In October 2015, some of the sprinklers inspected by KY Contracting were found to have failed to conform with the relevant requirements of the Fire Services Department, and rendered the certificate issued by KY Contracting in August 2015 incorrect. A Certificate of Fire Service Installations and Equipment issued by KY Contracting in October 2015 was incorrectly dated. For details, please refer to the section headed “Business — Non-compliance” in this prospectus.

In order to prevent future breaches and ensure on-going compliance, we have increased our expenses of compliance on the enhanced internal control measures. There is no assurance that the Hong Kong government will not change existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may require us to incur significant costs and as a result materially and adversely affect our financial condition and results of operations.

In addition, if we fail to comply with the applicable rules and regulations from time to time, we may be subject to fines, or even suspension or revocation of our licences for carrying on our business activities. Accordingly, our business operations and financial results might be materially and adversely affected.

We rely on our subcontractors, who are Independent Third Parties, to complete our contract works and there is no assurance that our subcontractors will always follow strictly all of our instructions. Any delay or defects in their works may adversely affect our operations and financial results

During the Track Record Period, we subcontracted various parts of our projects to our subcontractors in Hong Kong, who are Independent Third Parties, from time to time. For the years ended 31 March 2015, 2016 and 2017, our subcontracting fees amounted to approximately HK\$16.1 million, HK\$30.2 million and HK\$40.3 million, representing approximately 56.0%, 61.3% and 65.3% of our total direct costs, respectively. For details of our arrangements with subcontractors, please refer to the section headed “Business — Subcontracting arrangement” in this prospectus.

There is no assurance that our subcontractors will always follow strictly all of our instructions. If the subcontractors fail to carry out the works in accordance with our standards and specifications, we may experience delay in project completion, quality issues concerning the works done, or non-performance by subcontractors. Consequently, we may have to incur significant time and costs to carry out remedial actions, which may in turn adversely affect the profitability and reputation of our business, and/or result in litigation or damage claims against us.

In addition, our subcontractors may not always be readily available whenever we need to engage them. Notwithstanding our proven working relationships with our subcontractors, there is no assurance that we would be able to maintain such relationships in the future. As at the Latest Practicable Date, we had not entered into any long term service agreement with our subcontractors. They may or may not provide services to us in future projects on similar terms and conditions as they did in the past. We may have to offer remuneration higher than we anticipated in order to engage their service in the future.

RISK FACTORS

Further, there is no assurance that we would be able to find suitable alternative subcontractors that meet our project needs and requirements to complete the projects, which may in turn adversely affect our operations and financial results.

We depend on our suppliers for fire equipment and related accessories, and any shortage or delay of supply, or deterioration in quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price in a timely manner

We rely on our suppliers for stable and timely delivery of quality fire equipment and related accessories. For each of the years ended 31 March 2015, 2016 and 2017, our material and equipment cost for fire equipment and related accessories amounted to approximately HK\$6.3 million, HK\$12.5 million and HK\$12.7 million, respectively representing approximately 21.9%, 25.4% and 20.6% of our total direct costs, respectively.

If there is any shortage of fire equipment and related accessories, or material delay in delivery by our suppliers, we may fail to complete our projects on time or at all. As a result, we may be required to pay liquidated damages or other penalties to our customers. We cannot guarantee that we would be able to identify suitable alternative sources of supply with acceptable quality and price in a timely manner. In such event, our business reputation and financial results may be adversely affected.

If there is any deterioration in the quality of fire equipment and related accessories from our suppliers, and we are unable to identify suitable alternative sources with reasonable price in a timely manner, the progress and quality of our works may be materially and adversely affected, thereby damaging our business reputation and adversely affecting our financial results.

We are liable to pay the amount of tax undercharged and may be subject to penalty or surcharge imposed by the IRD

As discussed in the paragraph headed “Tax payables” in the section headed “Financial Information” in this prospectus, our Group had identified errors in the statutory financial statements of our Group’s subsidiaries for the years prior to and the year ended 31 March 2015, being mainly accounting errors in relation to the recognition of the contract revenue and the corresponding cost. Relevant adjustments have been made to the retained earnings as at 1 April 2014 and profit for the year ended 31 March 2015, and the income tax expenses accordingly. As a result of the foregoing, there were understatements in the profits reported in the tax returns filed to the IRD by our Group for the years of assessment 2013/14 and 2014/15 and the tax undercharged for the years ended 31 March 2014 and 2015 amounted to HK\$1.1 million and HK\$0.4 million respectively. According to a Hong Kong tax opinion from our Hong Kong tax adviser, Cheng & Cheng Taxation Services Limited, the total maximum potential tax penalty that may be imposed by the IRD could be up to HK\$450,000 (being 30% of the tax undercharged). While the IRD has issued additional tax assessments for the tax undercharged without any penalty or surcharge, there is no assurance that the relevant authorities would not take any enforcement action against the relevant subsidiary of our Company in relation to the tax errors. In the event that such enforcement action is taken, and the amount of tax undercharged after the final assessment of the IRD and tax penalty imposed exceeds substantially than what we expect, our reputation and cash flow may be adversely affected.

RISK FACTORS

We may not be able to implement all or any of our business plans successfully

Our Group has set out its future plans in order to achieve its business objectives in the section headed “Future Plans and Use of Proceeds” in this prospectus. The future plans are developed based on a number of assumptions, forecasts, and commitments of our Group. Due to circumstances beyond our Group’s control, including many of the other risks as set out in this section headed “Risk factors” in the prospectus, or for reasons that may render the assumptions and forecasts inaccurate, there is no assurance that all or any of the future plans may be successfully implemented.

We may be unable to attract and/or retain employees with the requisite skills, expertise and experience which may adversely affect our operations, business growth and financial results

We rely on the skills, expertise and experience of our employees to provide quality fire safety services to our customers. Our employees may terminate their employment with us and we may not be able to retain them. Our direct labour cost amounted to approximately HK\$4.5 million, HK\$5.2 million and HK\$7.1 million for the years ended 31 March 2015, 2016 and 2017 respectively representing approximately 15.6%, 10.5% and 11.5% of our total direct costs respectively for the same periods.

If we fail to attract and/or retain competent personnel or if there is any material increase in direct labour costs as a result of a shortage in the supply of skilled labour, our competitiveness and business would be reduced, thereby adversely affecting our financial condition and operating results. Further, if we fail to identify suitable replacements for our departed staff in a timely manner, our business and operation may be adversely affected and our future growth and expansions may be inhibited.

In such events, we may not be able to handle existing projects or compete for new projects, which may in turn affect our business, operation and operating results.

Expiry, withdrawal, revocation and downgrading of and/or failure to renew any of our various registrations and certifications would adversely affect our operations and financial results

We possess and rely on our various licenses and qualifications to operate our business in Hong Kong. For details of our licenses and qualifications, and their respective applicability in our business, please refer to the section headed “Business — Licences and permits” in this prospectus.

These registrations and/or licenses may only be valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant government authorities. There can be no assurance that we would be able to renew the registrations and/or licenses in a timely manner or at all. If we fail to do so, we may be required to suspend our operations, which may have a material adverse effect on our business and operation.

Further, the relevant government authorities may remove us from their lists 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 for various reasons, including but not limited to sub-standard works, failure to implement adequate safety measures or failure to maintain sufficient level of working capital etc. For instance, our Group is required to maintain a minimum working capital of HK\$0.57 million or 10% of the combined annual value of uncompleted works on all outstanding contracts, in order to maintain or renew our registration as an approved contractor on the Approved Specialist List under the Fire Service Installation (Group I) category for Public Works maintained by the

RISK FACTORS

Development Bureau. The occurrence of any of the above scenarios would damage our reputation in the industry, lower our competitiveness in securing new projects and adversely affect our ability to attract customers, which in turn may have an adverse effect on our growth and operation.

If we fail to complete our works on time or at all, we may be liable to our customers for breach of contract and be required to pay liquidated damages or other compensation

Our contracts generally set out the due date of the contract works. If we fail to complete the contract works by the due date, we may be required to pay liquidated damages to our customers pursuant to the contracts, unless they agree to grant us time extension to complete the remaining works.

Delay of or disruption to our works may occur due to unforeseen circumstances that are beyond our expectation or control, including but not limited to, unfavourable weather conditions, variation orders and/or other risks such as work injuries and disputes with customers, suppliers, subcontractors and other project parties.

We cannot guarantee that we will be able to complete every project on time or at all, nor can we assure you that our customers would grant us sufficient time extensions in case of delay in completion. If we fail to complete projects on time, we may be liable to pay a significant amount of liquidation damages or other penalties, which may in turn adversely affect our profitability and liquidity.

There is no assurance that we will pay dividends in the future

During the year ended 31 March 2015, 2016 and 2017, KY Contracting declared dividends of approximately HK\$2.7 million, HK\$24.5 million and nil, respectively to Mr. Fok. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details, please refer to the paragraph headed "Financial Information — Dividends" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a highly competitive market

The fire safety industry is a highly competitive market with around 365 players at present with no obvious market leaders. Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, longer operating history, and greater marketing and other forms of resources. Further, new participants may enter the industry as they wish provided that they possess all the various licenses and qualifications required. There is no assurance that our competitors will not develop the expertise, experience and resources necessary to provide services that are better in quality and/or more competitive in price compared to our services. Failure to maintain or enhance our competitiveness within the industry or maintain our customer base may result in decrease in profit margins and loss of market share, and our financial performance and profitability may be adversely affected.

RISK FACTORS

Changes in existing laws, regulations and government policies, including but not limited to the introduction of more stringent laws and regulations on fire safety industry may cause us to incur substantial additional expenditure

Many aspects of our business operations are governed by various laws and regulations, especially the Fire Services Department's requirements and government policies. The requirements in respect of the granting and/or renewal of various licenses and qualifications in the fire safety industry may change from time to time, and we may not be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operations. If there are any change to and/or imposition of the requirements for qualification in the fire safety industry and we fail to meet the new requirements in a timely manner or at all, our business operations will be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure our investors that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure our investors that our Shares will be traded in the public market at or above the Offer Price subsequent to the Share Offer. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected.

The trading price and volume of our Shares may be volatile, which may result in substantial loss to our investors

The trading price of our Shares may be volatile and may fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares, changes in securities analysts' (if any) estimates of our financial performance, investors' perceptions of our Group and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies and involvement in material litigation as well as recruitment or departure of key personnel, may cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

RISK FACTORS

Further, there will be a gap of several days between pricing and trading of our Offer Shares. The Offer Price of our Shares is expected to be determined on the Price Determination Date while our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date and hence are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

Future disposal or perceived disposal by our existing Shareholders of a substantial number of our Shares in the public market may materially and adversely affect the prevailing market price of our Shares

Disposal of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception that disposal may occur, may adversely affect the market price of our Shares and may materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

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

Our Controlling Shareholders 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 by virtue of their shareholding in our Group. The interests of our Controlling Shareholders may not always coincide with the best interests of our Group and/or other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of our Group and/or other 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 our Group and/or other Shareholders, our Group or those other Shareholders' interests may be adversely affected as a result.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

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

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

RISK FACTORS

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

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

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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 (subsidiary legislation 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" of this prospectus and in the relevant Application Forms.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer for which CLC International Limited is the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriter under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Share Offer is managed by the Sole Bookrunner. For further information about the Underwriters and the Share Offer and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SUBSCRIPTION OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus. This prospectus is not an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

It is expected that, pursuant to the Share Offer, the Underwriters will conditionally place the Offer Shares on behalf of our Company at the Offer Price with investors.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON GEM

Our Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) and as otherwise described herein on GEM.

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. A total of 150,000,000 Offer Shares, representing approximately 25% of the enlarged issued share capital of our Company 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 the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

Only securities registered on the register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercising of their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

HONG KONG BRANCH SHARE REGISTRAR, REGISTRATION AND STAMP DUTY

The principal share register of our Company will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and a branch register of members of our Company will be maintained by our Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agreed, all transfer and other documents of title of Shares must be lodged for registration with, and registered by our Company's Hong Kong branch share registrar and transfer office.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All the Shares will be registered on our Company's branch register of members in Hong Kong. Only Shares registered on our Company's branch register of members in Hong Kong may be traded on GEM. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

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

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about Wednesday, 25 October 2017. Shares will be traded in board lots of 8,000 Shares each.

LANGUAGE

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

ROUNDING

Certain amounts or percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
--

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Fok Hau Fai (霍厚輝)	Flat H, 26/F., Block 8 Metro Harbour View 8 Fuk Lee Street Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Sung Sing Yan (宋聖恩)	Flat E, 37/F., Block 6 City Point Tsuen Wan New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Hung Kin Sang (熊健生)	Flat 2001, 20/F. Block R, Amoy Garden 77 Ngau Tau Kok Road Ngau Tau Kok Kowloon Hong Kong	Chinese
Mr. Lee Yin Sing (李彥昇)	Room 04, 3/F, Block F Yu Sin House Yu Chui Court Shatin New Territories Hong Kong	Chinese
Mr. Wan Chun Kwan (溫雋軍)	Flat F, 51/F., Block 2 Seaview Crescent 8 Tung Chung Waterfront Road Tung Chung Lantau Island Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
--

PARTIES INVOLVED IN THE SHARE OFFER**Sole Sponsor****CLC International Limited**

13/F., Nam Fung Tower
88 Connaught Road Central
Central, Hong Kong

Sole Bookrunner**Gransing Securities Co., Limited**

17/F, Hing Yip Commercial Centre
272-284 Des Voeux Road Central
Central, Hong Kong

Joint Lead Managers**CLC Securities Limited**

13/F., Nam Fung Tower
88 Connaught Road Central
Central, Hong Kong

Gransing Securities Co., Limited

17/F, Hing Yip Commercial Centre
272-284 Des Voeux Road Central
Central, Hong Kong

Co-Managers**Astrum Capital Management Limited**

Room 2704, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

Pacific Foundation Securities Limited

11th Floor, New World Tower II
16-18 Queen's Road Central
Central, Hong Kong

Quasar Securities Co., Limited

Unit A, 12/F, Harbour Commercial Building
122-124 Connaught Road Central
Sheung Wan
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
--

Legal advisers to our Company

As to Hong Kong Law

TC & Co.

Units 2201-03, 22/F.

Tai Tung Building

8 Fleming Road

Wan Chai, Hong Kong

As to Hong Kong Law

Ms. Ng Wing Shan Queenie

Barrister-at-law

Rooms 2203 A&B, Fairmont House

8 Cotton Tree Drive

Central

Hong Kong

As to Cayman Islands Law

Appleby

2206-19 Jardine House

1 Connaught Place

Central, Hong Kong

**Legal adviser to the Sole Sponsor and
the Underwriters**

As to Hong Kong Law

Loeb & Loeb LLP

21st Floor, CCB Tower

3 Connaught Road Central

Hong Kong

Reporting accountants

Deloitte Touche Tohmatsu

Certified Public Accountants

35th Floor, One Pacific Place

88 Queensway

Hong Kong

Industry consultant

Frost & Sullivan International Limited

Unit 08, 26/F.

No. 9 Queen's Road Central

Hong Kong

Receiving Bank

Wing Lung Bank Limited

45 Des Voeux Road Central

Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman, KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	1/F., R & T Centre No. 81-83 Larch Street Tai Kok Tsui Kowloon Hong Kong
Company's website	www.lumina.com.hk
Company secretary	Mr. Wong Chi Wai (黃智威) <i>Certified Public Accountant</i> 1/F., R & T Centre No. 81-83 Larch Street Tai Kok Tsui Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Fok Hau Fai (霍厚輝) Flat H, 26/F., Block 8 Metro Harbour View 8 Fuk Lee Street Tai Kok Tsui Kowloon Hong Kong Mr. Wong Chi Wai (黃智威) <i>Certified Public Accountant</i> 1/F., R & T Centre No. 81-83 Larch Street Tai Kok Tsui Kowloon Hong Kong
Compliance officer	Mr. Fok Hau Fai (霍厚輝)

CORPORATE INFORMATION

Audit committee	Mr. Lee Yin Sing (李彥昇) (<i>Chairman</i>) Mr. Hung Kin Sang (熊健生) Mr. Wan Chun Kwan (溫雋軍)
Remuneration committee	Mr. Hung Kin Sang (熊健生) (<i>Chairman</i>) Mr. Sung Sing Yan (宋聖恩) Mr. Wan Chun Kwan (溫雋軍)
Nomination committee	Mr. Fok Hau Fai (霍厚輝) (<i>Chairman</i>) Mr. Hung Kin Sang (熊健生) Mr. Lee Yin Sing (李彥昇)
Risk and technical committee	Mr. Wan Chun Kwan (溫雋軍) (<i>Chairman</i>) Mr. Sung Sing Yan (宋聖恩) Mr. Wong Chi Chiu (黃智超)
Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman, KY1-1108 Cayman Islands
Hong Kong branch share register and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	DBS Bank (Hong Kong) Limited 11/F., The Centre 99 Queen's Road Central Central, Hong Kong
Compliance adviser	CLC International Limited <i>A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> 13/F., Nam Fung Tower 88 Connaught Road Central Central, Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a report commissioned by us, the Frost & Sullivan Report, for the purpose of this prospectus. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of their affiliates or advisers, nor any other party involved in the Share Offer, and no representation is given as to its accuracy. For further information, please refer to the section headed “Risk Factors — Risks relating to the statements” in this Prospectus.

SOURCES OF INFORMATION

In connection with the Share Offer, we have engaged Frost & Sullivan, an Independent Third Party, to conduct a study of the fire safety industry in Hong Kong. Frost & Sullivan is a global consulting company founded in New York in 1961 with over 40 global offices and more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan’s services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering Hong Kong market and Chinese market since the 1990’s. Frost & Sullivan has four offices in China and direct access to the market participants in the Hong Kong fire safety industry and its industry consultants have an average of more than five years of experience.

Research Methodology

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of Hong Kong’s fire safety industry for prospective investors. The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report included primary interviews and secondary research. Primary interviews are conducted with relevant institutions to obtain objective and factual data and prospective predictions. Secondary research involves information, integration of data and publications from publicly available resources, including official data and announcements from Hong Kong government departments, and market research on industry and enterprise player information issued by our competitors. Frost & Sullivan considers the source of information as reliable because (i) it is general market practice to adopt official data and announcements from various Hong Kong government departments; and (ii) the information obtained from interviews is for reference only and the findings in the Frost & Sullivan Report are not based on the results of these interviews. Frost & Sullivan has proven track records in providing market research studies to government departments and agencies and private clients in the regions where the Frost & Sullivan Report covers.

INDUSTRY OVERVIEW

Bases and Assumptions

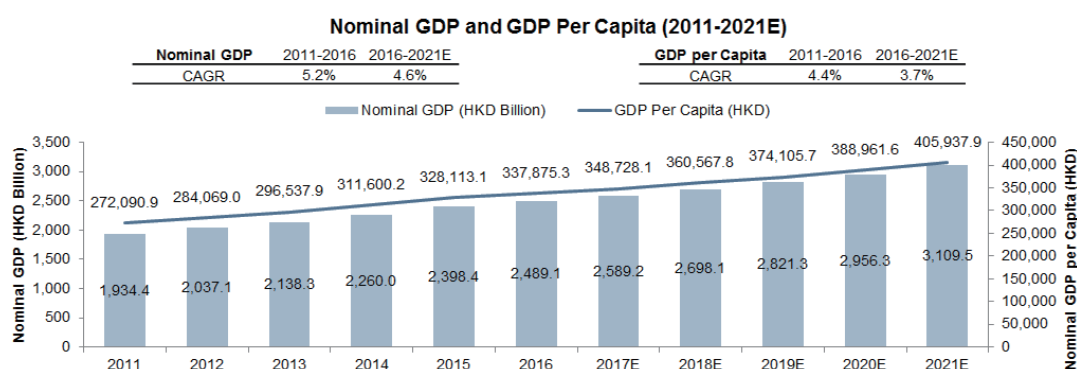
In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the economies of Hong Kong are assumed to maintain steady growth across the forecast period; (ii) the social, economic and political environments of Hong Kong are likely to remain stable in the forecast period, which ensure the stable and healthy development of the property, construction and fire safety market; (iii) the market drivers including the nominal GDP and GDP per capita are expected to increase and drive the growth of the fire safety industry in Hong Kong; and (iv) there is no war or large scale disaster during the forecast period.

We agreed to pay Frost & Sullivan a fee of HK\$600,000 for the preparation of the Frost & Sullivan Report. The balance of the fee is not contingent upon the completion of the Share Offer. The Frost & Sullivan Report has been prepared by Frost & Sullivan independent of our influence. As at the Latest Practicable Date, after taking reasonable care, our Directors confirm that there is no significant or material adverse change in the market information since the respective dates of the various data contained in this section which may qualify, contradict or have an impact on the information in this section.

MARKET OVERVIEW OF THE MACRO-ENVIRONMENT IN HONG KONG

Nominal GDP

Hong Kong experienced a gradual increase in nominal Gross Domestic Product (“GDP”) from HK\$1,934.4 billion in 2011 to HK\$2,489.1 billion in 2016. International Monetary Fund (“IMF”) projected that the nominal GDP of Hong Kong will continue a steady growth in the coming five years, representing a CAGR of 4.6% from 2016 to 2021.



Source: IMF, Frost & Sullivan

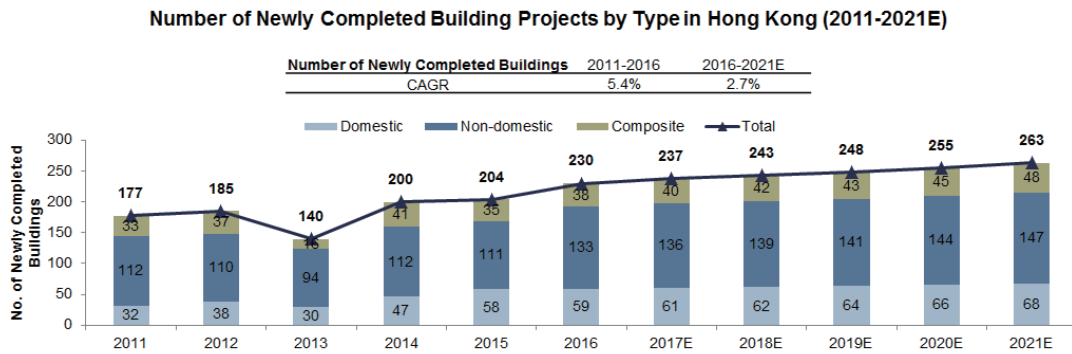
INDUSTRY OVERVIEW

Number of Newly Completed Building Projects by Type in Hong Kong

The number of newly completed building projects including residential, non-residential and composite buildings increased significantly from 177 in 2011 to 185 in 2012. However, the lag effect of the buildings construction market started to affect the market in 2013, reducing the number of newly completed buildings to 140.

To boost the stagnant property market, Hong Kong Government proposed to implement 10 measures in its Policy Address in 2013, including utilising 36 sites, including Government, Institution or Community (“GIC”) sites and other government sites for housing developments, rezoning industrial land for residential use, increasing the development density of unleased or unallocated residential sites, etc.. Benefiting from the policies and implementations, the number of newly completed buildings rebounded in 2014, and is estimated to maintain moderate growth from 200 in 2014 to an estimation of 230 in 2016 at a CAGR of 7.2%, according to the Frost & Sullivan Report.

It is expected that the property market will remain moderate, and the number of newly completed building projects will reach around 263 in 2021. Stable growth of the number of new buildings ensures the sustainability of the building and construction industries as well as to the housing and construction related businesses.



Source: HKSAR Building Department, Frost & Sullivan

INDUSTRY OVERVIEW

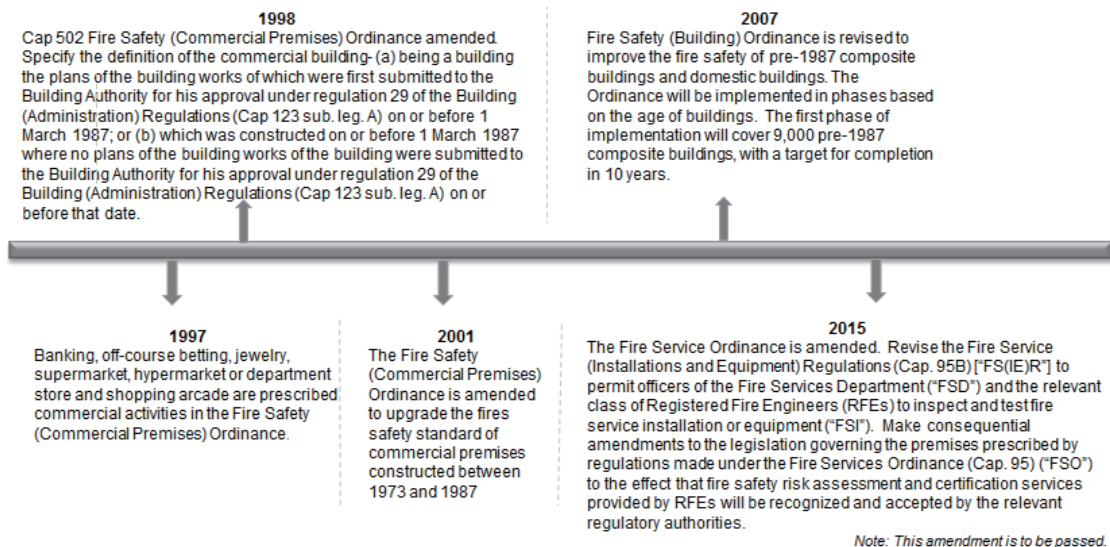
MARKET OVERVIEW OF THE FIRE SAFETY INDUSTRY IN HONG KONG

History and Development of Fire Regulations

The fire safety regulations has been changing since the 1990s due to various large-scale commercial and residential buildings fire, which caused heavy casualties. The examples of large-scale fire in Hong Kong since 1990s are as follows:

- Shek Kip Mei HSBC branch fire on 10 January 1994 with casualties of 13 people
- No. 5 alarm fire at Garley Building in Mongkok on 20 November 1996 with casualties of 121 people
- Top One Karaoke fire in Tsim Sha Tsui on 25 January 1997 with casualties of 17 people
- No. 4 alarm fire at Golden Court in North Point on 6 January 1998 with the casualties of 59 people
- Fire at On Hing Mansion in Kwun Tong on 4 February 1998 with the casualties of 13 people
- No. 5 alarm fire at Cornwall Court in Mongkok on 10 August 2008 with casualties of 59 people

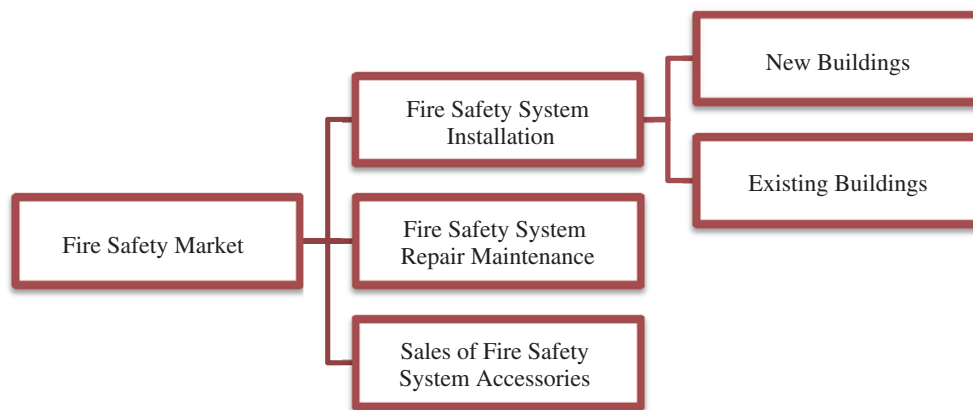
The Fire Services Department carried out fire safety inspection on over 27,000 private buildings in 1998, of which most of the building safety is below the up-to-date standards. As a result, the public awareness of fire safety has been increasing and the relevant regulations were amended to address the concerns over building fire safety.



INDUSTRY OVERVIEW

Fire Safety (Commercial Premises) Ordinance (Cap. 502) (implemented on 2 May 1997) and Fire Safety (Buildings) Ordinance (Cap. 572) (implemented on 1 July 2007) are major regulations in Hong Kong that aim to provide better protection from the risk of fire in domestics, commercial and composite buildings and premises. The provision of or improvement on fire service installations and equipment is regulated by the Fire Services Department under the fire safety ordinances whereas the Buildings Department is responsible for fire safety construction in the building under the corresponding ordinances. Under the fire safety ordinances, the owner or occupier of the prescribed commercial premises is required to comply with the fire safety measures for the provision of fire service installations and equipment and also construction requirements such as the provision of means of escape from the premises and means of access in case of fire fighting and rescue, etc.

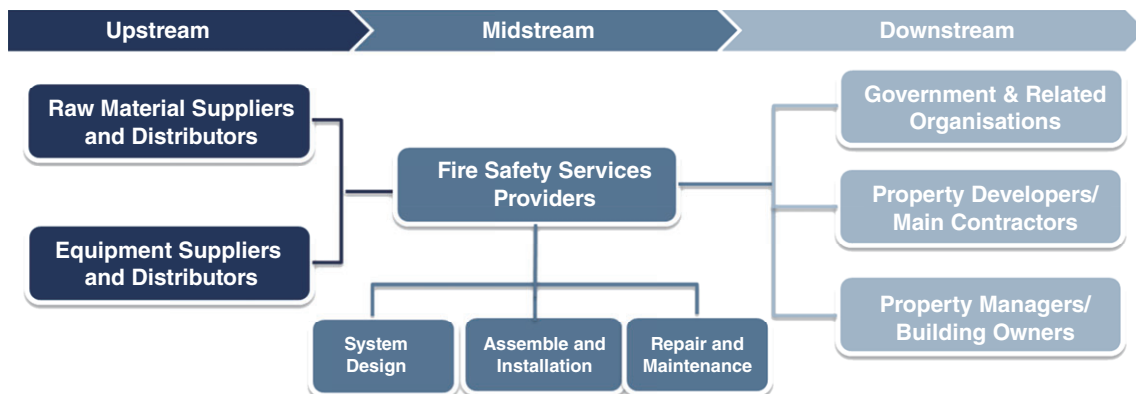
Overview of Fire Safety Market



Fire safety is a set of practice with the primary objective of reducing the damages and casualties caused by fire.

According to Code of Practice for Fire Safety in Buildings issued by the Buildings Department, fire safety in buildings is determined by a number of factors including the provisions of means of escape in case of fire, the ability for a building to resist the heat and flame of fire and to minimise the spread of fire and smoke and the provision of means of access to enable firefighters to rescue and fight fire.

Value Chain of Fire Safety Market



INDUSTRY OVERVIEW

Market Size of Fire Safety Market in Hong Kong

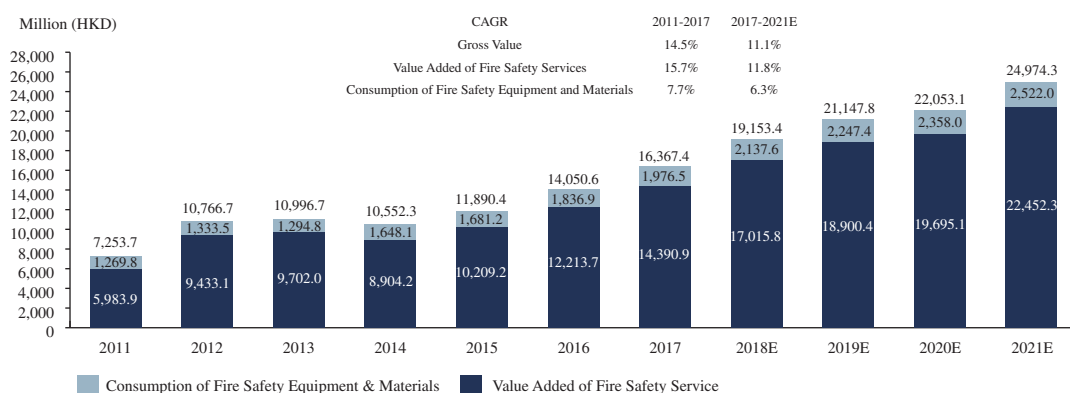
The estimated gross value of fire safety market in Hong Kong increased from HK\$7.3 billion in 2011 to HK\$16.4 billion in 2017, representing a CAGR of 14.5%, primarily due to the expediting of land planning and development, increasing the number of new housing units and commercial buildings, as well as the demand for fire safety service. With the slowdown in the increase of new building construction numbers in 2012, the growth of the fire safety market slowed down in 2013 and recorded a negative growth in 2014. Continued growth in renovation work drives up the demand for installation and maintenance of fire system, as well as the fire safety solutions.

Given the rising standard for building safety and quality of works, the need for evacuation and electrical fire alarm, water and gas suppression systems and portable fire equipment is expected to increase. The growth of fire safety market would continue in the following years, which would in turn lead to an increase in income of fire safety service providers in Hong Kong. It is expected that the gross value of fire safety market would reach HK\$25.0 billion in 2021, growing at the CAGR of 11.1% from 2017 to 2021.

The estimated consumption of fire equipment and materials increased from HK\$1.3 billion in 2011 to HK\$2.0 billion in 2017, representing a CAGR of 7.7%, driven by rising awareness of fire prevention and the building safety standards. The decrease in the number of real estate projects in 2012 led to a slowdown of the growth rate of fire equipment and materials consumption in 2013. Given the increasing housing supply and the expediting of urban renewal, the growth of fire prevention equipment sales rebounded in 2014 and 2015.

With the increasing public awareness of fire safety to protect life and property, the promotion of safe work environment and the strengthening of fire safety regulation in Hong Kong, the demand for fire equipment and materials is expected to increase in the future. The consumption of fire prevention equipment and materials is forecasted to reach HK\$2.5 billion in 2021 at the CAGR of 6.3% from 2017 to 2021.

Gross Value of Fire Safety Market Breakdown by Service Segment, Hong Kong (2011-2021E)



Source: Census & Statistics Department HKSAR, Frost & Sullivan

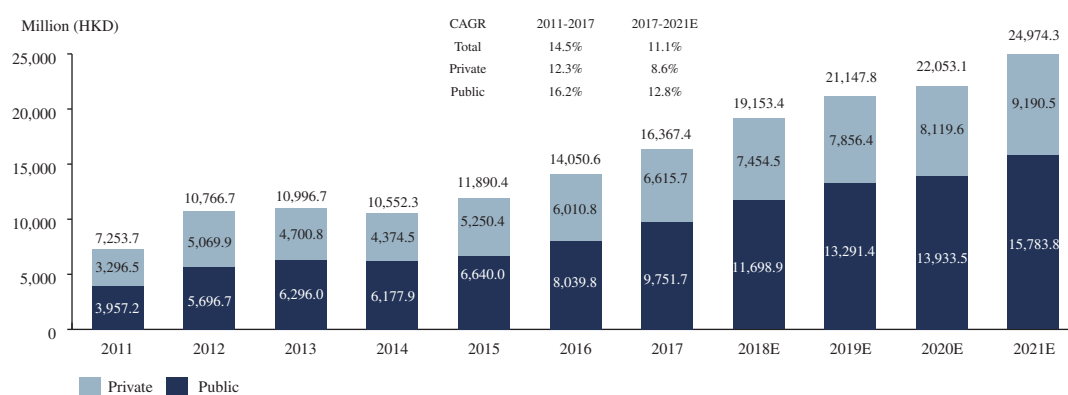
INDUSTRY OVERVIEW

The estimated gross value of fire safety in private sector experienced an increase from HK\$3.3 billion in 2011 to HK\$6.6 billion in 2017 at the CAGR of 12.3%. The rising number of newly completed buildings including residential, non-residential and composite buildings contributes to the constant demand for installation of fire safety systems while the sustained renovation works in urban renewal and upgrade of building safety give a rise to the demand for fire safety solutions. Given the overall stable growth of fire safety market, the drop in estimated gross value of fire safety in 2013 and 2014 is due to the unstable project flow in private sector which is subject to the scope of works, contract period, financial conditions and resources allocation, such as material procurement and labour recruitment. It is expected that the gross value of fire safety in private sector will climb to HK\$9.2 billion in 2021 at the CAGR of 8.6% from 2017 to 2021.

The estimated gross value of fire safety in public sector recorded a rapid growth from HK\$4.0 billion in 2011 to HK\$9.8 billion in 2017 at the CAGR of 16.2%, higher than the CAGR of 12.3% of private sector in the same period. It is supported by the increasing government budget on fire safety together with the rise of public awareness and tightening regulation on fire safety, which serves as a growth engine to the fire safety services providers in Hong Kong, especially the players with presence in public sector.

In Hong Kong, a substantial proportion of the fire safety works are conducted for public properties, including the projects commissioned by the Hong Kong Government, MTR Corporation Limited, Airport Authority and Housing Authority. In recent years, the ratio of gross value of fire safety market in public sector is on the rise and the trend is expected to be maintained due to the policies in elevating fire safety standards of the buildings, including full-scale inspection on old buildings, expansion of expenditure on the fire equipment and fire safety. It is expected that the gross value of fire safety in public sector would climb to HK\$15.8 billion in 2021 at the CAGR of 12.8% from 2017 to 2021.

Gross Value of Fire Safety Market Breakdown by Sector, Hong Kong (2011-2021E)



Source: *Census & Statistics Department HKSAR, Frost & Sullivan*

OPPORTUNITIES OF FIRE SAFETY MARKET IN HONG KONG

Stringent Regulation on Fire Safety Rules

Under the Fire Safety Ordinance, the owners or occupants of the relevant premises are obliged to appoint a registered Fire Service Installation Contractor to carry out the works on the provision of fire safety systems and equipment installation, renovation and modification. As the provision of fire safety system of the buildings is mandatory under the fire safety regulation, the enforcement of existing rules is the major driver of the fire safety market. On the other hand, the promulgation of new fire safety rules such as the introduction of Registered Fire Engineers (RFEs) and tightening fire safety rules also gives impetus to the market growth.

Rising Demand for Fire Safety Services

The number of newly completed buildings increased with a CAGR of 5.4% from 2011 to 2016. As it is compulsory for newly completed buildings to install proper fire safety system according to the Fire Safety Ordinance, the increasing number of newly completed buildings drives the demand for fire safety services in Hong Kong. The renovation and improvement works in commercial buildings and premises also stimulate the installation and re-installation of fire safety system. For instance, frequent renovating and retrofitting work in commercial premises like shopping malls and offices leads to strong demand for fire safety system installation.

Increasing Public Awareness of Fire Safety in Hong Kong

Consequent to several major fire incidents in recent years, relevant responsible parties of buildings in Hong Kong especially those in the industrial sectors are paying more attention to the upgrade of fire safety systems. The incidents triggered various relevant governmental authorities investigating the proper measures to improve the fire safety protocols for the industrial sectors. The fatal fires also prompt building owners to upgrade the fire protection of their establishments which enhances the demand for fire safety systems with increasing public awareness of fire protection.

Mandatory Building Inspection Scheme

The presence of aging buildings without proper care and maintenance prompted the Urban Renewal Authority and Buildings Department of Hong Kong introducing the Mandatory Building Inspection Scheme (MBIS) in 2012. Under MBIS, owners of buildings aged 30 years or above and served with statutory notices are obliged to carry out inspections of their buildings once every ten years with fire safety as one of the major building elements to be examined. This creates demand for the fire safety services and relevant equipment with the rising number of aging buildings in Hong Kong.

Urban Renewal

In 2009-2010 Policy Address, the Chief Executive announced new policy measures to revitalize vacant and under-utilized industrial buildings. Since industrial activities in general carry higher risks than other activities in terms of fire and other hazards (e.g. use of dangerous goods) and so pose extraneous risks to commercial occupants in the same buildings. Thus, fire safety concern is one of the major reasons for rejection of planning applications of commercial uses in industrial building. If occupants want to change the usage of building (e.g. from industrial to commercial use), they are required to re-install the fire safety systems to comply with the relevant regulations.

INDUSTRY OVERVIEW

CHALLENGES OF FIRE SAFETY MARKET IN HONG KONG

Reliance on the Quality of Imported Fire Safety System

The quality of fire safety system is one of the main differentiators in the fire safety industry. However, most of the fire safety services providers in Hong Kong do not have the capability of manufacturing. Most of the fire protection systems and equipment are imported from around the world including US, China, Japan, etc. The quality of the products depends heavily on the equipment manufacturers. As each fire safety market has its own requirements and standard, the fire safety services providers in Hong Kong should be highly cautious in selecting their equipment suppliers so as to comply with the standards in Hong Kong.

Rising Labour Cost

The implementation of Statutory Minimum Wages as enacted by the Minimum Wage Ordinance imposed financial burdens on the fire safety businesses by increasing labour cost.

ENTRY BARRIERS OF FIRE SAFETY MARKET IN HONG KONG

Business Reputation

With over 300 market players in the industry, fire safety market relies on proven track record to establish reputation. It is difficult for new entrants to compete with companies with sound business reputation which usually have a loyal client base and a well-established supply chain. Brand awareness and proven track records are keys to gaining market shares. Thus, new entrants would face challenges in building their client base before establishing their business reputation.

Industry Experience

The well-established fire safety services providers in the market have gained years of industry know-how and market experience. New entrants might need a steep learning and experience curve to catch up with the larger players in the market.

Business Relationship

In the fire safety market, market players tend to build long-lasting business relationships with their suppliers and customers. Fire safety services providers usually leverage on their extensive industry experiences and proven track records to gain market share. As compared to market players providing integrated solution in the fire safety market, new market entrants would face difficulties in gaining market share without established supply chain and loyal customer base.

INDUSTRY OVERVIEW

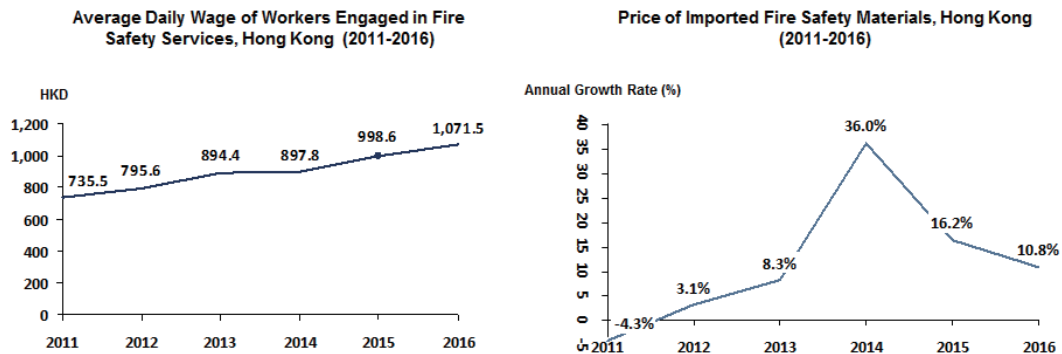
Registration to Operate

Fire safety services providers are required to register at Fire Services Department to operate under the Fire Service (Installation Contractors) Regulations. There are three classes of registered fire service installation contractors listed out in the regulation outlining different installation or equipment in various premises that they are fit to install, maintain repair and inspect. New entrants must apply for such registration so as to operate as fire service installation contractors. For details, please refer to the section headed “Regulatory Overview” in the prospectus.

TREND OF LABOUR COST AND MATERIALS

Plumber, electrical fitter, fire services mechanic, building services maintenance mechanic and power cable jointer are the general labour types in the fire safety service industry. The average daily wages of fire safety services worker has increased from approximately HK\$735.5 in 2011 to approximately HK\$1,071.5 in 2016, representing a CAGR of approximately 7.8%.

Major materials of fire safety system include gas/smoke analysis apparatus, fire extinguishers, pipes, tubes, hoses, taps, cocks, and water pumps. Apart from the negative annual growth rate of 4.3% in 2011, the price of imported fire safety materials has recorded positive annual growth from 2011 to 2016, with growth rate ranging from 3.1% to 36.0%, driven by the sustained demand for fire safety services in Hong Kong.



Source: Census & Statistics Department HKSAR, Frost & Sullivan

COMPETITIVE LANDSCAPE OF FIRE SAFETY MARKET IN HONG KONG

Fragmented Market with Fierce Competition

The fire safety market has a total number 365 market players with no obvious market leaders who have majority of market share in 2017. With the large number of players and low market concentration, the fire safety market is regarded as a fragmented market with fierce competition. The companies in the market have differentiations of fire safety services in terms of the quality of the products, the quality of services and business relationship with long-term customers.

Competition in private sector

The private sector of the fire safety services market in Hong Kong is shared by the 365 registered fire service installation contractors. The players in the market are differentiated by the quality of the equipment and materials from suppliers, track record in delivering fire safety services as well as business relationships with customers. Financial resources also come as the essence of business expansion in tendering for large scale projects in which more capital is required for resources deployment. Given the keen competition in price, quality, track record and financial resources, contracting projects from property developers and property management companies, which usually entail large scale real estate projects with the installation and maintenance of fire safety system, are the main reason why certain fire safety services providers have a competitive edge over others. Fire safety services providers with long established business relationships with property developers and property management companies are generally regarded as the major players in the market.

Competition in Public Sector

Among the 365 registered fire service installation contractors in Hong Kong, only 17 and 38 fire safety services providers are admitted as specialist contractors under Group I and Group II respectively of the “Fire Service Installation” category in the List of Approved Specialists for Public Works. They are eligible to tender for contracts up to HK\$2.3 million and of unlimited value under Group I and Group II respectively, in the public sector. In addition, there are only 16 approved contractors of the Housing Authority which are eligible to tender for contracts of the Housing Authority. Therefore, fire safety services providers with either one of the aforementioned licences are eligible to tender for public work contracts and projects of the Housing Authority and Development Bureau, thereby leveraging business opportunities in the public sector.

Although the aggregate minimum employed capital and working capital required for being an approved contractor on the Approved Specialist List and Housing Authority List of Fire Services and Water Pump Contractors are only HK\$570,000 each, strong financial support is necessary to tender for contracts in the public sector. Given the working capital is set to be 10% or 15% of the outstanding works/combined annual value of uncompleted works, the financial requirement for projects in the public sector is usually higher than the minimum working capital required by the Development Bureau and the Housing Authority. Competitive edge is found in a Company with sufficient capital while smaller companies fall short of the minimum working capital requirement in tendering projects. For details, please refer to the paragraph headed “Key success factors — Solid financial support” in the section below.

INDUSTRY OVERVIEW

Market Share of our Group

According to the Frost & Sullivan Report, the market size of the fire safety industry is HK\$16.4 billion in 2017. With a total of 365 fire safety services providers in the market, the average market share of a market player in the industry is HK\$44.9 million. As one of the players in the market, our Group has a market share of approximately 0.6% in the fire safety market in Hong Kong in 2017 which is higher than the average market share in the industry of approximately 0.3%.

KEY SUCCESS FACTORS

Solid Financial Support

Sufficient capital flow is necessary to tender for contracts in public sectors. According to relevant regulations, contractors (if has both employed capital and working capital not less than HK\$4.2 million respectively) who would like to become the approved contractor in Group II of Development Bureau and the approved contractor of Housing Authority, are required to maintain minimum working capital equivalent to 10% of the combined annual value of uncompleted works on all outstanding contracts on hand. According to its tender awarded notice, the Housing Authority awarded three fire service tenders with tendered amount ranging from approximately HK\$278 million to approximately HK\$303 million in July 2016. It means that the tender awarded contractors have to maintain the minimum working capital from approximately HK\$28 million to approximately HK\$30 million. Furthermore, extra capital is also needed for the purchase of materials and equipment and other resources in order to manage larger scale of projects.

Proven Industry Experience

Proven industry experience is critical to gaining the trust of customers and industry recognition. Having extensive experience in fire safety industry enhances the contractors' capability of delivering quality fire safety services. With experienced management and engineering team, contractors could price their tenders and quotations accurately and thereby minimising cost overrun, and hence increase the competitiveness of such contractors.

One-stop Solution

Contractors providing one-stop fire safety services are generally preferred by the customers. It is gradually becoming a trend in the fire safety industry for the contractors to provide a diverse range of services including FSI, repair and maintenance and sales of equipment. Contractors can have better control in ensuring the consistency and quality of services by providing one-stop solutions in design, planning, coordination, supervision and project management for the fire safety services, whereas customers can save time and effort in engaging different parties for project execution.

REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to our Group's operations and business in Hong Kong. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

LICENCES AND REGISTRATIONS REQUIRED FOR THE BUILDING FIRE SERVICES BUSINESS OF OUR GROUP

Registration as a registered fire service installation contractor

Regulation 3(1) of Fire Service (Installation Contractors) Regulations provides that any person, or any company or firm having at least a director, partner or employee, as the case may be, who is

- (I) 21 years of age or more;
- (II) resident in Hong Kong; and
- (III) holding the qualifications specified in regulation 4(2) or (3) of Fire Service (Installation Contractors) Regulations,

may apply to the Director of Fire Services for registration as a fire service installation contractor in class 1 or class 2, or in classes 1 and 2.

It further provides that any person, who is 21 years of age or above 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 shall notify him of the day fixed for a written examination or interview and for a workshop inspection for the purposes of the registration under the Fire Service (Installation Contractors) Regulations.

REGULATORY OVERVIEW

Pursuant to regulation 4 of the Fire Service (Installation Contractors) Regulations, the classes of registered fire service installation contractor and their respective scope of work and minimum qualifications are as follows:

Class of registered fire service installation contractor	Scope of works in connexion with fire service installations or equipment fit to undertake	Minimum qualification for registration
Class 1	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	<p>At least one of our directors, employees or partners of a corporate applicant shall:</p> <ul style="list-style-type: none"> – hold a degree in electrical engineering satisfying the prescribed examination requirements of the Council of Engineering Institutions for corporate membership of the Institution of Electrical Engineers; and – be the manufacturer (or its authorised agent) or designer of an electrical circuit or other apparatus, recognised by the Director of Fire Services, for the detection by alarm or otherwise of smoke or fire
Class 2	Install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) which contains (a) pipes and fittings designed or adapted to carry water or some other fire extinguishing medium; or (b) any type of electrical apparatus other than those specified in class 1	<p>At least one of our directors, employees or partners of a corporate applicant shall:</p> <ul style="list-style-type: none"> – hold a Grade I plumber’s licence issued under the Waterworks Ordinance (Chapter 102 of the Laws of Hong Kong); and – hold a diploma from the Hong Kong Polytechnic or a Technical Institute or a higher certificate in electrical engineering or a qualification recognized as equivalent to such a diploma or certificate by the Director of Fire Services

REGULATORY OVERVIEW

Class of registered fire service installation contractor	Scope of works in connexion with fire service installations or equipment fit to undertake	Minimum qualification for registration
Class 3	Maintain, repair and inspect portable equipment	Applicant shall be a Hong Kong resident of 21 years of age or more and satisfy the Director of Fire Services at a written examination and at an interview that his knowledge of the function and maintenance of portable equipment and the relevant regulations under the FSO is adequate

As at the Latest Practicable Date, KY Contracting was registered as Class 1 and Class 2 registered fire service installation contractor, whereas one of its technicians, namely Mr. Lee Wai Hung, was registered as Class 3 registered fire service installation contractor.

Registration as a registered fire service installation contractor is not subject to expiry.

Standard of inspection

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.

Regulatory actions

A registered fire service installation contractor who undertakes any work in connexion 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).

According to regulation 3A of the Fire Service (Installation Contractors) Regulations and regulation 9 of the 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. 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).

REGULATORY OVERVIEW

Pursuant to regulation 10 of the Fire Service (Installation Contractors) Regulations, where the disciplinary board (appointed under regulation 9 of the 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.

Undertaking contracts in the public sector

Development Bureau projects

A contractor must be registered with the Development Bureau in order to undertake public works.

For admission and retention as an approved contractor on the Approved Specialist List under the Fire Service Installation category maintained by the Development Bureau, the contractor is required to meet the following requirements:

Specific Admission/Retention Criteria	Group I (Direct entry)	Group II (Entry on probation)
Financial criteria		
Minimum employed capital	HK\$0.57 million	HK\$0.57 million
Minimum working capital	HK\$0.57 million or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors if the contractor has both employed and working capital not less than HK\$4.2 million respectively, whichever is higher	HK\$0.57 million or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors if the contractor has both employed and working capital not less than HK\$4.2 million respectively, whichever is higher
Major technical and management criteria		
Registration with relevant authorities in Hong Kong	<i>Statutory registration</i>	<i>Statutory registration</i>
	The applicant shall be (i) a registered fire service installation contractor Class 1 & 2 registered under the FSO; and (ii) a registered electrical contractor registered under the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong)	The applicant shall be (i) a registered fire service installation contractor Class 1 & 2 registered under the FSO; and (ii) a registered electrical contractor registered under the Electricity Ordinance
		<i>Quality management system certification</i>
		The applicant shall process Quality Management System certificates issued under the rules of the Hong Kong Certification Body Accreditation Scheme operated by the Hong Kong Accreditation Service. The scope of certification shall be relevant to the contractor list being applied for, e.g. “supply, installation and maintenance of fire service installation”

REGULATORY OVERVIEW

Specific Admission/Retention Criteria	Group I (Direct entry)	Group II (Entry on probation)
Minimum number of technical staff	<p><i>Technical support staff:</i></p> <ul style="list-style-type: none"> - 2 technicians - 2 site supervisors - 1 draftsman <p><i>Craftsman:</i></p> <p>Employ adequate numbers of craftsmen</p> <p><i>Statutory registration</i></p> <p>The applicant shall have staff meeting the following statutory registration requirements:</p> <ul style="list-style-type: none"> - one Class 3 registered fire service installation contractor registered under the FSO - one registered electrical worker registered under the Electricity Ordinance who is eligible to perform at least Grade A2 electrical work - one licensed plumber registered under the Waterworks Ordinance 	<p><i>Technical support staff:</i></p> <ul style="list-style-type: none"> - 2 technicians - 4 site supervisors - 2 draftsmen <p><i>Craftsman:</i></p> <p>Employ adequate number of craftsmen</p> <p><i>Statutory registration</i></p> <p>The applicant shall have staff meeting the following statutory registration requirements:</p> <ul style="list-style-type: none"> - one Class 3 registered fire service installation contractor registered under the FSO - one registered electrical worker registered under the Electricity Ordinance who is eligible to perform at least Grade A2 electrical work - one licensed plumber registered under the Waterworks ordinance

Contractors registered with the Development Bureau as Specialist Contractors for Fire Service Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of fire service installations comprising sprinkler system, fire hydrant/hose reel system, manual and automatic fire alarm system, etc. for building and amenity projects subject to certain tender limits.

As at the Latest Practicable Date, KY Contracting was registered as an approved contractor on the Approved Specialist List under the Fire Service Installation (Group I) category.

REGULATORY OVERVIEW

Housing Authority projects

A contractor must be included in the Housing Authority List of Fire Services and Water Pump Contractors, in order to tender for Housing Authority's works contracts and nominated sub-contracts of unlimited value in relation to fire services and water pump installations in residential, commercial and institutional building.

To become eligible for admission into the Housing Authority List of Fire Services and Water Pump Contractors, the contractor shall possess ISO 9001, ISO 14001 and OHSAS 18001 certificates, the minimum scope of which shall be supply, installation, maintenance of fire services and water pump systems. The contractor shall also meet the following minimum requirements set out by the Housing Authority:

Statutory registration requirements

- Registered fire services contractor of Class 1, 2 and 3 under the Fire Service (Installation Contractors) Regulations
- Registered electrical contractor under the Electricity Ordinance
- A valid radioactive substance license holder granted by the Radiation Board under the Radiation Ordinance and Radiation Regulation

Minimum working experience requirements

The applicant should have the following contract(s) satisfactorily completed in Hong Kong over the past three years and satisfactory maintenance and operation of the said installations for at least 6 months:

- 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 Housing Authority domestic block project and
- One fire services and water pump installation with commercial/institutional building

REGULATORY OVERVIEW

Financial capability

Working capital requirement	(i) HK\$0.57 million; (ii) 15% of outstanding works (if applicant has either employed capital or working capital under HK\$4.2 million); or (iii) 10% of outstanding works (if applicant has both employed capital and working capital not less than HK\$4.2 million respectively), whichever is the higher
Employed capital requirement	(i) HK\$0.57 million; (ii) HK\$2.3 million (if value of outstanding works is equal to or greater than HK\$23 million but less than HK\$47 million); (iii) HK\$4.7 million (if value of outstanding works is equal to or greater than HK\$47 million); or (iv) 10% of the total assets, whichever is higher
Profitability trend analysis	An applicant with either confirmed or probationary status is required to demonstrate its financial performance based on its profitability trend analysis

Minimum number, qualifications and experience of full-time staff to be directly employed

Project/Contract manager	Minimum number: one Required qualification and experience: (i) diploma or above in mechanical, electrical or building services engineering and eight years' relevant managerial experience and overall in charge of fire services and water pump contracts; or (ii) degree or above and five years' relevant managerial experience and overall in charge of fire services and water pump contracts
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REGULATORY OVERVIEW

Qualified professional engineer	Minimum number: one Required qualification and experience: (i) registered professional engineer (mechanical or building services discipline); (ii) member of the Hong Kong Institution of Engineers (mechanical or building services. discipline) elected after 5 December 1975; or (iii) equivalent with 3 years post qualification of relevant experience in fire services and water pump installations
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
Licensed plumber	Member registered as licensed plumber (Grade 1), who may be the same person as the site supervisory staff

Registration as a registered electrical contractor or a registered electrical worker

Under section 2 of the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), “electrical work” means work in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low voltage or high voltage fixed electrical installation and includes the supervision and certification of that work and the certification of design of that installation.

Under the Electricity Ordinance, all electrical contractors carrying out electrical work have to be registered with the Director of Electrical and Mechanical Services. According to section 56 of the Electricity Ordinance, any person not being a registered electrical contractor who does business as an electrical contractor or contracts to carry out electrical work in Hong Kong commits an offence and is liable to a fine of HK\$50,000 on a first conviction and a fine of HK\$100,000 on a subsequent conviction for the same offence and in either case is liable to imprisonment for 6 months.

Pursuant to regulation 3 of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), to be qualified as a registered electrical contractor, the applicant for registration must either employ at least one registered electrical worker or,-

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

According to the Electricity Ordinance, the certificate issued by the Directors of Electrical and Mechanical Services 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. 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.

REGULATORY OVERVIEW

Validity period and renewal of registration

Registration for registered electrical contractor and registered electrical worker is valid for the three years period shown on the certificate of registration. A registered electrical contractor or registered electrical worker shall apply to the Director of the Electrical and Mechanical Services for renewal of its/his registration within one to four months prior to the date of expiry of the registration.

As at the Latest Practicable Date, KY Contracting is holding a valid certificate of registered electrical contractor.

Regulatory Actions

Where the Director of the Electrical and Mechanical Services 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) reprimand the worker or contractor, and/or fine a worker up to HK\$1,000 and a contractor up to HK\$10,000; or (ii) refer the matter to the Secretary for Environment for hearing by a disciplinary tribunal, who may do one or more of the following:

- (I) reprimand the registrant;
- (II) fine a worker up to HK\$10,000 and a contractor up to HK\$100,000;
- (III) suspend or cancel the registration of the registrant;
- (IV) suspend the registrant's right to apply for registration or renewal of registration for a prescribed period.

The Director of the Electrical and Mechanical Services 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.

LAWS AND REGULATIONS IN RELATION TO THE OPERATION OF SUPPLY OF FIRE EQUIPMENT

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

The Trade Descriptions Ordinance prohibits false trade description, false, misleading or incomplete information, false statements, etc., in respect of goods offered in the course of trade. Therefore, all of the products and supplements sold by our Group are required to comply with the relevant provisions therein.

REGULATORY OVERVIEW

Section 2 of the Trade Descriptions Ordinance provides, inter alia, that “trade description” in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned, etc), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price, etc.).

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

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

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

A person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for 2 years.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance provides, inter alia, that where a seller sells goods in the course of a business, there is an implied condition that (a) where the goods are purchased by description, the goods must correspond with the description; (b) the goods supplied are of merchantable quality; and (c) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless he or she has a reasonable opportunity to examine the goods.

Tortious Duty Under Common Law

Under Common law, distributors, manufacturers, and retailers of products owe a duty of care to consumers and may be liable for damages as a result of defects in goods caused by their negligent acts or for any fraudulent misrepresentation made in the distribution and selling of goods. If a manufacturer, distributor and retailer reasonably believes or knows that the product may be defective, he may have to cease to supply such goods and to give warning and instructions to persons to whom the products are supplied.

REGULATORY OVERVIEW

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

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

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

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

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the duty to ensure safety of places of work; (iii) the duty to comply with miscellaneous safety requirements; and (iv) provision of first aid facilities. Non-compliance with any of these rules constitutes an offence and 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 and to imprisonment up to 12 months.

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

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

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

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;

REGULATORY OVERVIEW

- as regards any workplace under the employer's control:
 - maintaining the workplace in a condition that is safe and without risks to health; and
 - providing and maintaining means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- providing and maintaining a working environment for the employees that is safe and without risks to health.

An employer who fails to comply with any of the above provisions intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

The Commission for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such improvement notice or suspension notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and imprisonment of up to 12 months and HK\$500,000 and imprisonment of up to 12 months respectively.

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

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

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

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

REGULATORY OVERVIEW

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor insured under the policy shall be regarded as having complied with section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for 2 years.

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

A principal contractor shall be liable to pay subcontractor's employees' wages under the Employment Ordinance. According to section 43C of the Employment Ordinance, (i) a principal contractor is, or (ii) a principal contractor and every superior subcontractor are jointly and severally, liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. Such liability 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 (such months shall be the first two months of the period in respect of which the wages are due). According to section 43D of the Employment Ordinance, an employee who has outstanding wage payments from the subcontractor must serve notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve the required notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after the receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (if any) of whom he is aware. A principal contractor who without reasonable excuse fails to serve a notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of 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.

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

The Occupiers Liability Ordinance regulates the liability of persons occupying or having control of premises for injury or damages resulting to persons or goods lawfully on the land or other property from dangers.

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

The Subcontracting Registration Scheme

The Construction Industry Council has introduced the Subcontracting Registration Scheme, a registration scheme for trade subcontractors taking part in building and engineering works in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics.

The Subcontracting Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme introduced by the Provisional Construction Industry Co-ordination Board.

A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the Civil Engineering and Development Department) requires all public works contractors with tenders to be invited on or after 15 August 2004 to employ subcontractors (whether nominated, specialist or domestic) registered under the respective trades available under the Voluntary Subcontractor Registration Scheme.

The Construction Industry Council took over the management of the Voluntary Subcontractor Registration Scheme in January 2010. After completing the review of the Voluntary Subcontractor Registration Scheme on 1 January 2013, the Construction Industry Council launched stage 2 of the said scheme and renamed it as the Subcontractor Registration Scheme. All subcontractors registered under the Voluntary Subcontractor Registration Scheme have automatically become registered subcontractors under the Subcontractor Registration Scheme.

Subcontractors may apply for registration in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services.

Applications for registration under the Subcontractor Registration Scheme are subject to the following entry requirements:

- (a) completion of at least one job within the last five years as a main contractor/subcontractor in the trades and specialties for which registration is applied; or, comparable experience acquired by the applicant or its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes relevant to the trades and specialties for which registration is sought;

REGULATORY OVERVIEW

- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor 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; or
- (d) 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 Construction Industry Council.

An approved registration under the Subcontractor Registration Scheme shall be valid for two years from the approval date. A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee of the Construction Industry Council. If some of the entry requirements covered in an application can no longer be satisfied, the management committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met.

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

The Mandatory Provident Fund Schemes Ordinance requires our Group to provide retirement benefits to the employees. Under the said Ordinance, except for exempted persons, employees (full-time and part-time) and self-employed persons who are between 18 to 65 years of age are required to join a Mandatory Provident Fund Scheme.

OTHERS

Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)

The Prevention of Bribery Ordinance is the primary anti-corruption legislation in Hong Kong which governs both the private and the public sectors.

In the context of the public sector, it generally prohibits the following acts which are conducted without lawful authority or reasonable excuse:

- (i) soliciting or accepting any advantage by a prescribed officer without the Chief Executive's general or special permission;
- (ii) offering any advantage to a public servant, or solicitation or acceptance by a public servant of any advantage, as an inducement to or reward for or otherwise on account of his performing or abstaining from performing any act in his capacity as a public servant;

REGULATORY OVERVIEW

- (iii) offering any advantage to a public servant as an inducement to or reward for such public servant's giving assistance or using influence in (a) promoting, execution or procuring of any contract with or subcontract under any contract with a public body; or (b) the payment of the price, consideration of other moneys stipulated or otherwise provided for in any such contract or subcontract as aforesaid;
- (iv) offering to, soliciting or accepting any advantage from any other person as an inducement to or a reward in connection with withdrawing from tendering or refraining from making a tender for a contract with a public body;
- (v) offering to, soliciting or accepting any advantage from any person as an inducement to or reward in connection with refraining from bidding at an auction conducted by a public body; and
- (vi) offering any advantage to a prescribed public officer or a public servant while having dealings of any kind with the government or other public body.

“Public servant” and “prescribed official” are broadly defined under the section 2 of the ordinance as person holding an office with the Government or public body. The definition of “advantage” includes gifts, payments, contracts and favor etc.

In the context of private sector, it is an offence under section 9 of the ordinance, without legal authority or excuse, (i) for an agent to solicits or accepts; or (ii) to offer an agent, any advantage as an inducement to or reward for the agent's doing or forbearing to do any act in relation to his principal's affairs or business; or showing or forbearing to show favour or disfavor to any person in relation to his principal's affairs or business.

“Agent” is defined under section 2 of the ordinance to include a public servant and any person employed by or acting for another.

Anti-fraud policy adopted by our Company

We have in place an anti-fraud policy which contains provision to safeguard against corruption within our Company. For details, please refer to paragraph headed “Business — Internal control and risk management measures — Anti-fraud policy” to this prospectus.

COMPLIANCE

As confirmed by our Directors, to the best of their knowledge, save for disclosed in this prospectus (if any), our Group had obtained all necessary permits, approvals and licences to operate its existing business in Hong Kong from relevant governmental bodies during the Track Record Period and up to the Latest Practicable Date.

BUSINESS DEVELOPMENT

Our Group's history can be traced back to 2005, when KY Contracting first commenced its business in Hong Kong. Through KY Contracting, we mainly (i) design, supply and install fire safety systems, including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment for newly built and existing buildings; and (ii) provide repair and maintenance services on fire safety systems, and to supplement our services, we also supply fire equipment to our customers, if necessary, for their compliance with the requirements of the Fire Services Department. In 2005, KY Contracting has been registered (i) as a registered fire service installation contractor with the Fire Services Department; and (ii) as a registered electrical contractor with the Electrical and Mechanical Services Department.

As at the Latest Practicable Date, in addition to the above registrations, we were (i) admitted as a specialist contractor within the "Fire Service Installation" category in the List of Approved Specialists for Public Works; and (ii) registered in the List of Registered Subcontractors maintained by the Construction Industry Council.

Milestones of our Group

The chronological overview of the key events in respect of the major business development of our Group is set out below:

2005	KY Contracting was registered as Class 1 and Class 2 registered fire service installation contractor with the Fire Services Department KY Contracting was registered as a registered electrical contractor with the Electrical and Mechanical Services Department KY Contracting became (i) an approved contractor and supplier of the subsidiary of a blue-chip property developer in Hong Kong; (ii) an approved supplier of an university in Hong Kong; and (iii) an approved subcontractor of a fast food restaurant chain in Hong Kong
2006	KY Contracting engaged in its first fire services installation contract KY Contracting was awarded a term contract for the supply and delivery of fire service equipment with a subsidiary of a blue-chip property developer in Hong Kong
2007	KY Contracting was awarded a term contract for the supply, installation and modification of fire services equipment by a subsidiary of a blue-chip property developer in Hong Kong
2011	KY Contracting was admitted as a specialist contractor under Group I of the "Fire Service Installation" category in the List of Approved Specialists for Public Works
2012	KY Contracting was awarded a term contract to provide maintenance services of fire services systems for shopping centres, carparks, markets and cooked food stalls managed by Customer L
2013	KY Contracting was entered into the List of Registered Subcontractors maintained by the Construction Industry Council
2014	KY Contracting was awarded a fire service installation contract with a subsidiary of another blue-chip property developer in Hong Kong

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2016 KY Contracting and KY Engineering were accredited with ISO 14001:2004, ISO 9001:2008 and OHSAS 18001:2007 by AJA Registrars Ltd
KY Contracting was awarded a second term contract to provide maintenance services of fire services systems for shopping centres, carparks, markets and cooked food stalls by Customer L

ESTABLISHMENT AND DEVELOPMENT OF THE SUBSIDIARIES OF OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law on 7 July 2016 in preparation for the Listing and is the holding company of our Group. As at the Latest Practicable Date, our Group mainly comprised our Company, Golden Second, KY Contracting and KY Engineering. Set out below is the brief corporate history of the subsidiaries of our Company.

KY Contracting

KY Contracting was incorporated in Hong Kong as a limited liability company on 27 December 2002 with the personal resources of Mr. Fok. It did not engage in any business until 2005, when it was registered as a Class 1 and Class 2 registered fire service installation contractor in the same year. During the Track Record Period and as at the Latest Practicable Date, KY Contracting mainly (i) designed, supplied and installed fire safety systems, including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment for buildings; and (ii) provided repair and maintenance services on fire safety systems, and to supplement its services, it also supplied fire equipment to its customers for compliance with the requirements of the Fire Services Department.

As at the date of incorporation, KY Contracting allotted and issued as fully paid (i) 9,000 shares to Mr. Fok; and (ii) 1,000 shares to Mr. Hung Kin Sang (“**Mr. Hung**”), who held such shares for and on behalf of Mr. Fok. Mr. Hung is currently our independent non-executive Director. Back then, 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, Mr. Fok invited Mr. Hung, who accepted the invitation due to his acquaintance with Mr. Fok, to become a shareholder and a director of KY Contracting. Apart from holding the 1,000 shares in KY Contracting for and on behalf of Mr. Fok, Mr. Hung did not involve in its daily management.

On 29 March 2005, (i) Mr. Hung as the trustee of Mr. Fok and at the direction of Mr. Fok transferred 1,000 issued shares of KY Contracting to Ms. Li Sin Fun (“**Ms. Li**”), the spouse of Mr. Sung Sing Yan, one of the executive Directors, at par; and (ii) Mr. Fok transferred 2,300 issued shares of KY Contracting to Ms. Li at par. The above transfers of shares were properly and legally completed and settled. Following the completion of the share transfers, Mr. Hung ceased to have any shareholding interests in KY Contracting, and KY Contracting was owned as to 67.0% by Mr. Fok and 33.0% by Ms. Li.

On 18 December 2009, Ms. Li transferred her entire shareholding interests in KY Contracting to Mr. Fok at par. Following the completion of the share transfer, Ms. Li ceased to have any shareholding interests in KY Contracting and KY Contracting became wholly owned by Mr. Fok. Subsequently, on 13 January 2010, KY Contracting allotted and issued as fully paid 600,000 shares to Mr. Fok. The above transfer and allotment of shares were properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As part of the Reorganisation, on 24 March 2016, Mr. Fok transferred his entire shareholding interests in KY Contracting to Golden Second. In consideration thereof, Golden Second allotted and issued as fully paid one share to Mr. Fok. The said share transfer was properly and legally completed and settled. Following the completion of the share transfer, KY Contracting became a wholly-owned subsidiary of Golden Second.

KY Engineering

KY Engineering was incorporated in Hong Kong on 16 December 2008 with limited liability. At the time of incorporation, the management intended to set up KY Engineering as a second fire safety services provider in our Group to support KY Contracting. As at the Latest Practicable Date, our Directors targeted to submit an application to the Fire Services Department during the first six months of 2018 for the registration of KY Engineering as a Class 1 and Class 2 registered fire service installation contractor. Upon successful registration, KY Engineering will take up all new projects in the repair and maintenance segment of our Group's business, while KY Contracting will focus on the fire service installation segment of our Group's business. Our Directors believe that such arrangement would (i) give each of KY Engineering and KY Contracting a clearer corporate identity; and (ii) allow our Directors to monitor the performance of each segment of our Group's business separately.

As at the date of incorporation, KY Engineering allotted and issued as fully paid 10,000 shares to Mr. Fok.

As part of the Reorganisation, on 24 March 2016, Mr. Fok transferred his entire shareholding interests in KY Engineering to Golden Second. In consideration thereof, Golden Second allotted and issued as fully paid one share to Mr. Fok. The said share transfer was properly and legally completed and settled. Following the completion of the share transfer, KY Engineering became a wholly-owned subsidiary of Golden Second.

Golden Second

Golden Second was incorporated in the BVI with liability limited by shares on 15 March 2016. Since the date of incorporation, Golden Second is authorised to issue a maximum of 50,000 shares of a single class with a par value of USD1.00 each. On 23 March 2016, Golden Second allotted and issued as fully paid one ordinary share to Mr. Fok.

On 24 March 2016, in consideration of acquiring the entire issued shares of each of KY Contracting and KY Engineering, Golden Second allotted and issued an aggregate of two ordinary shares, credited as fully paid, to Mr. Fok. Subsequently on 20 May 2016, Golden Second allotted and issued as fully paid 997 ordinary shares to Mr. Fok.

On 24 June 2016, Mr. Fok and Team Vantage entered into a sale and purchase agreement, pursuant to which Mr. Fok agreed to transfer 50 ordinary shares of Golden Second to Team Vantage at the consideration of HK\$5,000,000. Following the completion of the share transfer on 16 August 2016, Golden Second was owned as to 95.0% by Mr. Fok and 5.0% by Team Vantage. For further details, please refer to the paragraph headed "Pre-IPO Investment — Investment" in this section below.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 30 September 2016, as part of the Reorganisation, our Company as purchaser and Mr. Fok and Team Vantage together as vendors entered into the Reorganisation Agreement, pursuant to which our Company acquired all the issued shares of Golden Second from Mr. Fok and Team Vantage. In consideration thereof, our Company allotted and issued 94 Shares, credited as fully paid, to Foxfire (at the direction of Mr. Fok) and 5 Shares, credited as fully paid, to Team Vantage respectively. The said share transfers were properly and legally completed and settled. Following the completion of the share transfers, Golden Second became a wholly-owned subsidiary of our Company.

PRE-IPO INVESTMENT

Background of the Pre-IPO Investor

Team Vantage is an investment holding company incorporated in the Republic of Seychelles on 4 May 2016, and the shares of which are legally and beneficially and wholly-owned by Mr. Cheng, who is also the sole director of Team Vantage. Prior to its investment in our Group, Team Vantage was an Independent Third Party. To the best knowledge and belief of our Directors, Mr. Cheng became acquainted with Mr. Fok, our executive Director and Controlling Shareholder, through their respective business network in 2015, and decided to invest in our Group through Team Vantage in view of the prospects and growth potential of our Group. The source of funding of Team Vantage's investment in our Group was from the personal resources of Mr. Cheng.

Investment

On 24 June 2016, Team Vantage entered into a sale and purchase agreement with Mr. Fok, pursuant to which Mr. Fok agreed to transfer 50 ordinary shares of Golden Second to Team Vantage at the consideration of HK\$5,000,000. The consideration was arrived at after arm's length negotiation between Mr. Fok and Team Vantage and taking into account the respective historical financial performance of KY Contracting and KY Engineering (the wholly-owned subsidiaries of Golden Second as at the date of the said sale and purchase agreement and up to the Latest Practicable Date) and the future prospects of our Group. The said share transfer was properly and legally completed and settled on 16 August 2016. Team Vantage, as a shareholder of our Company, is expected to (i) bring in business opportunities to our Group through Mr. Cheng's business connections; and (ii) offer strategic and business advice to our Group on its business development and positioning through Mr. Cheng, who had years of experience as a business adviser specialising in the formulation and implementation of business strategies for companies. After the said share transfer, Golden Second was owned as to 95.0% by Mr. Fok and 5.0% by Team Vantage.

The following table sets out the summary of the pre-IPO investment by Team Vantage, the shareholding interest of which is wholly owned by Mr. Cheng:

Amount of consideration paid to Mr. Fok	HK\$5,000,000
Payment date of consideration in full to Mr. Fok	16 August 2016
Approximate cost per Share paid under pre-IPO investment (<i>Note</i>)	HK\$0.22
Discount to the Offer Price	Approximately 44.4% (based on HK\$0.4 per Offer Share, being the mid-point of Offer Price range stated in this prospectus)
Use of proceeds from the pre-IPO Investment	The sale proceeds were for the personal use of Mr. Fok

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Benefit from the pre-IPO investment

Mr. Cheng, being the sole shareholder and sole director of Team Vantage, and as an ultimate shareholder of our Company, is expected to (i) bring in business opportunities to our Group through Mr. Cheng's business connections; and (ii) offer strategic and business advice to our Group on our business development and positioning

Approximate shareholding upon Listing (*Note*)
Public float for the purposes of Rule 11.23

3.8%
All Shares held by Team Vantage immediately after the completion of the Reorganisation will be considered as part of the public float.

Note: This is derived based on 22,500,000 Shares to be held by Team Vantage upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).

Public Float

As each of Team Vantage and its beneficial owner is not a connected person of our Company, Shares held by Team Vantage will be counted towards the public float after the Listing.

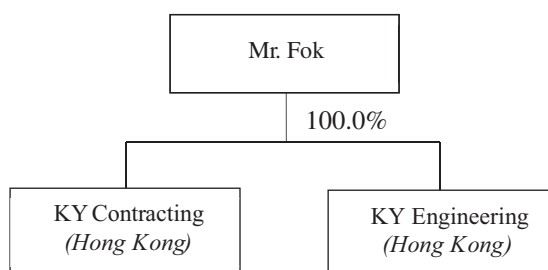
Sponsor's confirmation

Given that (i) no special rights have been granted to Team Vantage in respect of its investment; (ii) our Directors have confirmed that the terms of the investment by Team Vantage (including the consideration) was determined on arm's length basis taking into account the historical financial performance of KY Contracting and KY Engineering and the future prospects of our Group; and (iii) the consideration under the pre-IPO investment has been settled on 16 August 2016, which was more than 28 clear days before the date of submission of the Listing application, the Sponsor is of the view that the pre-IPO investment by Team Vantage is in compliance with the "Interim Guidance on pre-IPO Investments" (HKEx-GL29-12) and the "Guidance on pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange.

REORGANISATION

Prior to the Reorganisation, the structure of our Group was as follows:

KY Contracting and KY Engineering



Corporate restructuring

To rationalise our Group's structure in preparation for the Listing, our Group underwent various corporate restructuring as more particularly described as follows:

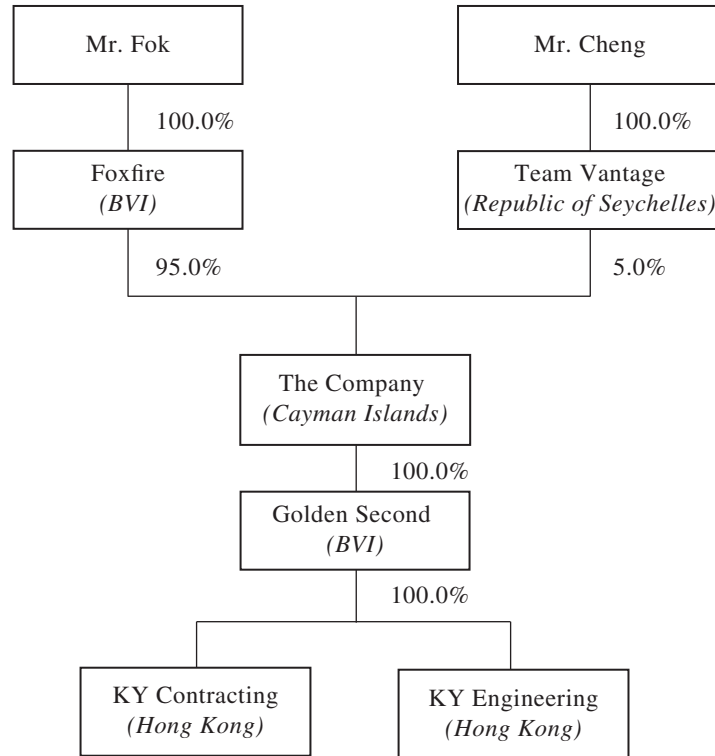
- (1) Golden Second was incorporated in the BVI with liability limited by shares on 15 March 2016. For details of Golden Second, please refer to the paragraph headed "Establishment and development of the subsidiaries of our Company — Golden Second" of this section above.
- (2) On 24 March 2016, Mr. Fok transferred his entire shareholding interests in each of KY Contracting and KY Engineering to Golden Second. In consideration thereof, Golden Second allotted and issued an aggregate of two ordinary shares, credited as fully paid, to Mr. Fok. The above transfers were properly and legally completed and settled.

On 20 May 2016, Golden Second allotted and issued as fully paid 997 ordinary shares to Mr. Fok.

- (3) On 24 June 2016, Team Vantage entered into a sale and purchase agreement with Mr. Fok, pursuant to which Mr. Fok agreed to transfer 50 ordinary shares of Golden Second to Team Vantage at the consideration of HK\$5,000,000. For further details of this pre-IPO investment, please refer to the paragraph headed "Pre-IPO investment" of this section above.
- (4) Our Company was incorporated in the Cayman Islands on 7 July 2016 as an exempted company with limited liability under the Companies Law. At the time of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each, of which one Share was allotted and issued as fully paid to a subscriber, which was transferred to Mr. Fok on the same date.
- (5) On 30 September 2016, pursuant to the Reorganisation Agreement, our Company acquired all the issued shares of Golden Second from Mr. Fok and Team Vantage. In consideration thereof, our Company allotted and issued 94 Shares, credited as fully paid, to Foxfire (at the direction of Mr. Fok) and 5 Shares, credited as fully paid, to Team Vantage. After the said share transfers, Golden Second became a wholly-owned subsidiary of our Company. On the same date, Mr. Fok transferred the one Share held by him to Foxfire at par. All the above share transfers were properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

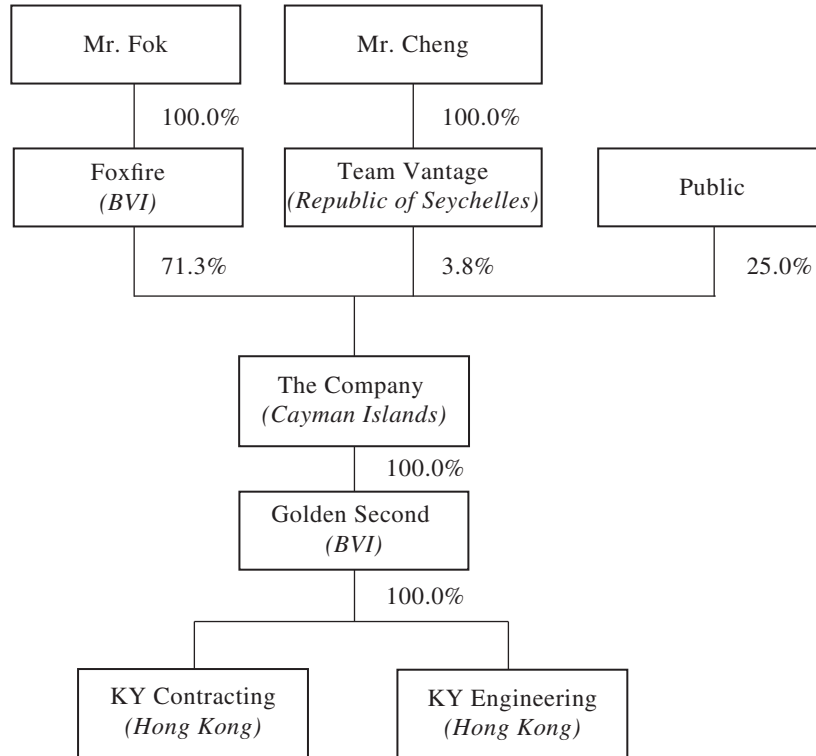
Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Share Offer and the Capitalisation Issue:



Conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, certain amounts standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full at par such number of Shares for allotment and issue to its shareholders (i.e. Foxfire and Team Vantage) in proportion to their respective shareholdings prior to the commencement of the trading and dealing of the Shares on GEM, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute not more than 75.0% of the total issued share capital of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of our Group immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme):



Note: The aggregate of the shareholding percentage figures in the diagram does not add up to 100 percent due to rounding issue of the decimal places.

BUSINESS

OVERVIEW

We are an established fire safety services provider in Hong Kong, focusing on building fire safety. Our services cover the design, supply and installation of fire safety systems including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment for newly built and existing buildings in Hong Kong. We also provide repair and maintenance services on fire safety systems to satisfy Fire Services Department's requirements. To supplement our repair and maintenance services, we also supply fire equipment to our customers.

The following table sets out a breakdown of our revenue by segment during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Fire safety system						
installation	37,090	80.5	67,029	89.6	84,235	92.0
Repair and maintenance	9,010	19.5	7,743	10.4	7,290	8.0
Total	46,100	100.0	74,772	100.0	91,525	100.0

With the increasing public awareness of fire safety to protect life and property, the promotion of safe work environment and the strengthening of fire safety regulations consequent to several major fire incidents in recent years, the demand for fire safety services is expected to increase in the future. According to the Frost & Sullivan Report, the estimated gross value of the fire safety market in Hong Kong is expected to increase from approximately HK\$16.4 billion in 2017 to approximately HK\$25.0 billion in 2021, representing a CAGR of 11.1%.

In addition to the provision of fire safety system installation services, we also provide maintenance services for the purpose of ensuring that our customers' fire safety systems are in conformance with the Fire Services Department's requirements. Our maintenance services generally include inspection, testing and repairing of fire safety systems such as smoke detectors and sprinklers, and emergency call-out services offering 24-hour response to emergency situations such as fire alarm detection and sounder reset, lock out fire control panels, etc. In case of any defects noticed, we will give our customers a quote for repair works. If our quote is accepted, we will assign our staff or subcontractors to carry out the repair works.

We maintain a diversified customer base comprising customers from both private sector (property owners and tenants, construction contractors and property managers) and public sector (government-related organisations and non-government organisations). Our Group's fire safety services cover different types of buildings, including commercial (e.g. offices, hotels and shopping malls, etc), composite (a combination of any two or more of domestic, commercial or institutional usage), institutional (e.g. schools, hospitals and universities) and residential. For the years ended 31 March 2015, 2016 and 2017, approximately 97.5%, 98.6% and 98.9% of our revenue respectively came from private sector customers.

BUSINESS

In September 2012, we became one of the fire safety service providers of Customer L, for an initial term of two years and for an extended two-year term expired in September 2016, to provide repair and maintenance services for its managed properties. In August 2016, we were successfully awarded the second term contract with Customer L for the provision of repair and maintenance services for an initial term of two years with an option for Customer L to extend for a further two-year period upon expiry.

The following table sets forth the revenue by private and public sectors during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	44,931	97.5	73,731	98.6	90,479	98.9
Public sector	1,169	2.5	1,041	1.4	1,046	1.1
	<u>46,100</u>	<u>100.0</u>	<u>74,772</u>	<u>100.0</u>	<u>91,525</u>	<u>100.0</u>

Our suppliers, all located in Hong Kong, mainly include suppliers of fire safety services related materials and equipment such as fire control panels, fire and smoke detectors, and water pumps. During the Track Record Period, we subcontracted various parts of our fire safety services to Independent Third Parties because we consider that this subcontracting arrangement would (i) minimise our need to employ and maintain a large direct workforce and reduce our administrative expense; and (ii) increase flexibility when we need extra capacity in carrying out our works. With the engagement of subcontractors, we are able to focus on the overall management and quality assurance of projects based on our experience and expertise, and take on larger projects. For the years ended 31 March 2015, 2016 and 2017, our subcontracting fees accounted for approximately 56.0%, 61.3% and 65.3% of our direct costs, respectively.

Subsequent to the Track Record Period, we had 39 fire safety system installation projects in progress, in which their individual contract value exceeds HK\$100,000, and the total estimated outstanding contract sum was approximately HK\$90.0 million. Further details of our projects are set out in the sections headed “Business — Projects in progress” in this prospectus.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, in 2017, the fire safety market is fragmented with a total of 365 market players with no obvious market leaders, whereas our market share is approximately 0.6%. The market is fragmented with fierce competition. Market participants differentiate themselves in terms of the quality of the products, the quality of repair and maintenance services and also business relationship with customers.

BUSINESS

Our Directors believe there are six main drivers to the demand for our fire safety services, namely (i) a large number of existing buildings without adequate fire safety systems; (ii) frequent renovating and retrofitting works in shopping malls and offices; (iii) increasing public awareness of fire safety; (iv) stricter fire safety regulations; (v) changes of the building usages (e.g. from industrial to commercial use as part of the urban renewal effort) which leads to re-installation of fire safety systems to comply with the relevant regulations; and (vi) new buildings projects in Hong Kong which require fire safety services.

In addition, over the past 20 years, the fire safety regulations in Hong Kong have been amended in the wake of a number of large-scale fire incidents in commercial and residential buildings which caused heavy casualties. The government is active in the enforcement of the fire safety rules to provide better protection from the risk of fire for occupants and users of and visitors to buildings by enhancing the fire safety standard of those buildings. Accordingly, the government may serve a fire safety direction or fire safety improvement direction on the owners and/or occupiers of a target building, directing them to comply with the relevant fire safety improvement requirements. Common fire safety improvement works include the provision or upgrading of automatic sprinkler systems, fire hydrant and hose reel systems, manual fire alarm systems, emergency lighting and automatic cut-off devices for mechanical ventilation systems.

As a registered fire service installation contractor, we believe our industry knowledge has been a key factor in enabling us to meet the relevant regulatory requirements and allowing us to capitalise on the increasingly strict regulatory landscape in our industry. We believe the increasing focus by the government on fire protection will further boost the demand for our services and have a positive impact on the outlook of our business.

For further information regarding the competitive landscape of the fire safety industry, please refer to the section headed “Industry Overview” in this prospectus.

COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths contribute to our continued success and potential for growth:

We are an established fire safety services provider with solid customer base and long-term relationships with well-known construction contractors and property managers in Hong Kong

Our Group has been providing fire safety services in Hong Kong since 2005 and have accumulated extensive experience in installing, maintaining and repairing fire installations and equipment. For the years ended 31 March 2015, 2016 and 2017, our Group has generated revenue from 842, 647 and 753 fire safety system installation projects, respectively, for various types of buildings, including residential properties, commercial, composite and institutional buildings. Our Directors believe that our track record gives us a good reputation in the fire safety industry in Hong Kong for its capability of delivering quality fire safety solutions.

BUSINESS

We have established a solid customer base with well-known construction contractors and property managers in Hong Kong. We had business relationships with our five largest customers during the Track Record Period on average for approximately four years, as at 31 March 2017. Among others, we have maintained business relationship with Customer L since 2012. Customer L was the manager of a REIT listed on the Stock Exchange with a total of 157 properties under its management as at 31 March 2017, including retail facilities, fresh markets, car parks and offices across Hong Kong. In our first term contract with Customer L, we provided repair and maintenance services for 55 facilities it managed.

We believe that our long-standing business relationships with customers are a testimony to the quality of our services and we consider this recognition and goodwill one of the key factors leading to our success in the fire safety industry.

We maintain stable and long-term relationships with most of our major suppliers and subcontractors

We have stable and long-term business relationships with most of our major subcontractors and suppliers, all being Independent Third Parties. As at 31 March 2017, most of our suppliers and subcontractors had more than six years' business relationship with us. We maintain a list of approved suppliers and subcontractors and has developed close relationships with them through cooperation over the years. Our Directors believe strong relationships with experienced subcontractors gives us an edge in maintaining our service quality. Our Directors believe that we can leverage on our existing relationships with our suppliers and subcontractors to further develop new business opportunities while controlling our costs through favourable terms.

We have an experienced management and engineering team to deliver the required fire safety services

Our founder and executive Director, Mr. Fok, has over 20 years of experience in the fire safety industry in Hong Kong and our executive Director, Mr. Sung, has over 30 years of experience in the fire safety industry. Our members of the senior management team possess extensive experience in fire safety services and have been serving us for over five years on average.

Our Directors' and senior management's industry insights and project management experiences are essential to the development of our fire safety services business. This has also helped us to secure numerous projects over the years, to price our tenders and quotations accurately and to avoid cost overrun. For the experience and qualifications of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

As at the Latest Practicable Date, our engineering team consists of 34 members, most of whom possess diploma or above qualifications in engineering disciplines.

Our Directors consider that our engineering team plays a critical role in delivering fire safety services and gives us a competitive edge over our competitors in the industry.

BUSINESS STRATEGIES

We aim to achieve sustainable business growth and further strengthen our overall competitiveness in the fire safety industry in Hong Kong. To achieve this, it is our Directors' plan to continue to implement the following strategies:

1. Continue to advance our capability in order to capture the market growth in the public sector

Industry outlook

We anticipate that the demand for fire safety services in the public sector will grow due to the Long Term Housing Strategy promulgated by the Hong Kong government in 2014 with a view to, among other things, increasing public housing supply. According to the Frost & Sullivan Report, with a strong demand for housing in Hong Kong, the government has adopted a housing supply target of 480,000 units for the next decade, with a public-private split of 60:40. Accordingly, the public housing supply target is 290,000 units, comprising 200,000 public rental housing units and 90,000 subsidised sale flats, whereas the private housing supply target is 190,000 units. Thus, the fire safety market gains impetus from the increasing residential building supply.

In addition, according to the Frost & Sullivan Report, it is expected that the gross value of fire safety services in the public sector would climb from HK\$9.8 billion in 2017 to HK\$15.8 billion in 2021 at the CAGR of 12.8%, in view of the increasing government budget on fire safety services together with the rise of the public awareness and tightening regulations on fire safety, which serve as a growth engine to the fire safety services providers in Hong Kong, especially for the players with presence in public sector. In recent years, the ratio of gross value of fire safety market in public sector is on the rise and the trend is expected to be maintained due to the policies in elevating fire safety standards of the buildings, including full-scale inspection on existing buildings, expansion of expenditure on purchase of fire equipment and fire safety systems.

Market competition in public sector

According to the Frost & Sullivan Report, there are 365 registered fire service installation contractors in Hong Kong. However, currently, only 17 and 38 fire service installation contractors are admitted as specialist contractors under Group I and Group II respectively of the "Fire Service Installation" category in the List of Approved Specialists for Public Works, which are eligible to tender for contracts up to HK\$2.3 million and of unlimited value under Group I and Group II respectively, in the public sector. In addition, there are only 16 approved fire service installation contractors which are eligible to tender for contracts of Housing Authority.

In view of the industry outlook and competition landscape in the public sector, we have decided to capture the market growth in the public sector. To do so, we intend to apply to the Development Bureau and the Housing Authority for additional licences, permits or qualifications as follows:

a. Development Bureau

Only those on the List of Approved Specialists for Public Works could undertake the relevant specialist public works.

BUSINESS

We are currently admitted as a fire service installation specialist contractor under “Group I” of the List of Approved Specialists for Public Works, whereby we are eligible for the award of contracts/subcontracts up to HK\$2.3 million. We intend to apply for admission as a fire service installation specialist contractor under “Group II”, which will give us the following benefits:

- Subject to availability of our resources, we will be eligible to tender for public fire service installation works of unlimited amount (not restricted to HK\$2.3 million), thus broadening our business opportunities for public works.
- The status as a approved contractor for public works could, we believe, enhance our corporate image as it is one of the factors considered by our customers when sourcing fire safety services providers.

We target to apply for admission as a “Group II” fire service installation specialist contractor in or around early 2018. For details of the registration criteria, please refer to the section headed “Regulatory Overview” in this prospectus.

b. Housing Authority

We also intend to apply for admission to the list of specialist contractors maintained by the Housing Authority. By becoming an approved contractor of the Housing Authority, we are eligible to tender for the fire safety services in residential, commercial and institutional buildings of the Housing Authority of unlimited value.

In order to apply for admissions to the lists of approved contractors maintained by the Development Bureau and the Housing Authority, we are required by the applicable contractor management rules to have a minimum working capital equivalent to 10% of the combined annual value of uncompleted works on all outstanding contracts on hand, which is expected to be HK\$80.0 million upon Listing based on our Director’s best estimate. Going forward, after we have become the fire service installation specialist contractor under “Group II” of the List of Approved Specialists for Public Works and the approved contractor of Housing Authority, we will tender for large-scale fire safety system installation projects in the public sector. It is not uncommon for a single project in the public sector to have a relatively greater contract value. As such, in order to undertake more large-scale projects and achieve better cash-flow management, we will examine our working capital level from time to time and may further increase the amount if necessary. In this regard, taking into our potential growth and the increase in our combined annual value of uncompleted works on all outstanding contracts on hand, our Group plans to increase our working capital by HK\$15.0 million from our internal resources.

Our Directors believe that the intended applications for the admission or advancement under the List of Approved Specialists for Public Works and the list of approved contractors of the Housing Authority could broaden our business opportunities and enhance our corporate image.

Recruitment of additional staff

Our Directors consider that a diligent workforce with appropriate knowledge and experience in undertaking fire safety system installation works in both public and private sectors is critical to our continuous success. In this regard, we plan to recruit additional staff, including four project managers or assistant project managers, in the next two years. The recruitment is planned to be completed by 2019. We also plan to arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses from time to time in the next two years to enrich their technical knowledge and raise their safety awareness. In this regard, we plan to spend a total of approximately HK\$4.2 million of the net proceeds from the Share Offer within two years after the Listing.

2. Continue to expand and increase our fire safety system installation services capacity

According to the Frost & Sullivan Report, given the increasing public awareness of fire safety, the promotion of safe work environment and more stringent regulations after several major fire incidents in Hong Kong, the need for fire safety systems is expected to increase. According to the Frost & Sullivan Report, the growth of fire safety market would continue in the following years, which will in turn lead to an increase in the income of fire safety services providers in Hong Kong. It is expected that the gross value of the fire safety market will reach HK\$25.0 billion in 2021, growing at the CAGR of 11.1% from 2017 to 2021.

With our proven track record in the fire safety industry in Hong Kong, we believe that we are well positioned to expand our market share and maintain our active status in the industry in Hong Kong. To undertake more projects in the future, we need to reserve more capital (a) to pay for the performance bonds, which commonly represented up to 10% of the contract sum and are usually required by property developers; and (b) as initial payment for our direct costs including subcontracting fees, and raw materials and supplies.

a. Payment for performance bonds

Some property developers will require their nominated subcontractors to purchase performance bonds to guarantee satisfactory completion of the subcontracted works. For the years ended 31 March 2015, 2016 and 2017, our revenue generated from projects as nominated subcontractors of property developers only accounted for approximately 5.8%, 6.3% and 6.8% of our total revenue respectively. Such relatively small portion to our total revenue is because being a private company with limited source of funding compared with a listed company, we believe it is important to maintain more working capital in case of urgent needs, and preferred to tender for projects with no performance bonds requirement in the past.

During the Track Record Period, we had received 22 tender invitations with performance bond requirement for each of which we had taken one of the following measures to manage the potential impact on our work capital:

- (i) decline the tender invitation;
- (ii) raise the tender price to factor in the cash flow impact of providing performance bonds; or

BUSINESS

(iii) offer discount in exchange for a waiver of the performance bond requirement.

The following table sets out the number of tender invitations we received with performance bond requirement during the Track Record Period, and their corresponding contract sums and estimated amounts of performance bond required:

	No. of tender invitations	No. of successful tenders	Total estimated contract sum (HK\$'000)	Total estimated amount of performance bond required [#] (HK\$'000)
Tender invitations with performance bond requirement, and we have				
(i) declined the tender invitation	6	N/A	108,000*	10,800
(ii) raised the tender price to factor in the financial impact of providing performance bonds	13	0	118,090*	11,809
(iii) offered discount in exchange for a waiver of the performance bond requirement	3	3	24,170* [^]	N/A

* It is estimated based the Directors' estimation with reference to the project scope and market prices of similar works.

[^] It is estimated based on the contract value before discount.

[#] It is assumed that the amount of performance bond would represent 10% of the contract sum.

It is noted from the above that we have come across several business opportunities during the Track Record Period which we were forced to eventually give up due to our limited financial resources. However, in order to optimise our customers' portfolio and undertake more projects with property developers, which generally have relatively greater contract values, availability of cash flow is of the most importance. As such, we need to reserve more capital to satisfy our potential customers' requirement for performance bonds.

As at the Latest Practicable Date, there were two projects which have performance bond requirements and our Directors were confident to secure as we had received follow-up responses from the potential customers after the tender submissions, such as interview invitations and/or further negotiations on the terms and conditions, etc.

The estimated total contract sum of these two projects would be HK\$24.6 million, and the estimated performance bond value would be HK\$2.5 million, representing 10% of the estimated contract sum. These potential projects are expected to last for one year commencing from the fourth quarter of 2017.

As such, we plan to earmark a total of approximately HK\$2.5 million of the proceeds from the Share Offer for purchasing performance bonds.

b. Initial payments for our subcontractors and raw materials and supplies

Due to the nature of our business, our projects normally incur net cash outflows at the early stage of performing our services when we are required to pay the subcontracting fees and material costs. Our customers will make progress payments after the works have commenced and such works and payments have been certified by our customers. As such, we have to reserve sufficient capital to satisfy these initial payments. During the Track Record Period, it normally took around four to six weeks for our customers to issue a payment certificate from the date of payment application. Taking into account this factor, the trade receivables turnover days and the estimated combined annual value of uncompleted works on all outstanding contracts upon Listing, in order to undertake more new projects and/or projects with larger contract sum in the future, we plan to reserve HK\$20.0 million from the net proceeds of the Share Offer.

Subsequent to the Track Record Period, we had 39 fire safety system installation projects in progress and three projects awarded but not yet commenced, each with a contract value exceeding HK\$100,000. Among them, the major contract work of eight projects with an estimated total contract sum of HK\$46.9 million are expected to commence in the fourth quarter of 2017. Our Directors consider that our Group's existing level of bank balance (approximately HK\$14.1 million as at 31 July 2017) can satisfy the further working capital that is expected to be required for these eight projects awarded, but they are likely to use up a large part of such bank balance (assuming such projects are to be funded entirely by the existing bank balances only), and leave our Group with limited financial resources for capturing the expected rapid growth in the fire safety market and/or further expanding our business scale. Moreover, as at the Latest Practicable Date, there were six additional projects which our Directors were confident to secure with an estimated total contract sum of HK\$44.9 million. After taking into account of the estimated cost, contract period and the time required for our customers to settle their bills, our Group will have to reserve at least HK\$19.8 million for the initial payment of direct costs for such projects which will be financed by internal resources and/or external borrowings.

In view of the significant amount to be required for initial payment of direct costs for projects, our Directors therefore consider that it is justifiable to utilise approximately HK\$20.0 million to strengthen our financial resources for financing the payment of subcontracting fees and material cost so that the Group is able to undertake more new projects and/or projects with greater contract sum in the future and thus, capturing the growth in the fire safety market.

3. Continue to provide high quality repair and maintenance services

Industry outlook

We anticipate the demand for our repair and maintenance services to grow steadily in view of the moderate growth of the number of existing buildings according to the Frost & Sullivan Report. In addition, there were approximately 15,000 buildings aged 30 or above and 4,000 buildings aged 65 or above in 2017. Fire safety systems of these buildings will soon require improvement. Coupled with the promotion of safe work environment and the strengthening of fire safety regulations in Hong Kong, our Directors expect that the demand for our repair and maintenance services will increase.

Latest contracts on hand

In August 2016, we were successfully awarded the second term contract with an aggregate contract sum of approximately HK\$11.1 million for an initial term of two years with an option for Customer L to extend for a further two-year term upon expiry by Customer L for the provision of repair and maintenance services for part of its managed facilities, such as shopping centres, carparks, markets and cooked food stalls across Hong Kong. Compared with the first term contract awarded by Customer L in 2012, the number of managed facilities covered by this term contract increased by approximately 65.5% from 55 to 91.

a. Recruitment of additional staff and training

We strive to provide quality fire safety system installation services and repair and maintenance services to our customers. In order to maintain the quality of services and to cope with the anticipated market growth, we will further expand the size of our repair and maintenance team. We intend to recruit 11 staff members which comprise:

- four technicians with two to four years of related experience and have at least completed secondary education;
- four engineers with three to five years of related experience and have at least a diploma or above;
- one accounting manager with five to ten years of related experience and have at least a degree or above; and
- two administrators with one to three years of related experience and have at least completed secondary education.

We expect the aggregated annual salary payable to the additional staff in the repair and maintenance department and the finance and administration department will amount to HK\$1.9 million and HK\$0.7 million, respectively, for the first year after hiring.

Furthermore, in order to enhance the knowledge and qualifications of our staff, we will sponsor the continuing education of our staff in the repair and maintenance team such as enrolling in courses, seminars and trainings.

To pursue this strategy, we intend to use approximately HK\$5.1 million, representing approximately 12.1% of the net proceeds from the Share Offer, of which approximately HK\$4.6 million will be utilised in recruiting 11 staff comprising four technicians, four engineers and three finance and administrative staff, while the remaining HK\$0.5 million will be utilised in the continuous training of our staff.

b. Lease of new office and purchase of vehicles

Besides recruitment, we plan to utilise HK\$1.4 million in leasing a new office to accommodate the additional staff and HK\$1.0 million in purchasing two more vehicles for our repair and maintenance team. As such, we intend to earmark a total of approximately HK\$2.4 million of the net proceeds from the Share Offer in this regard.

BUSINESS

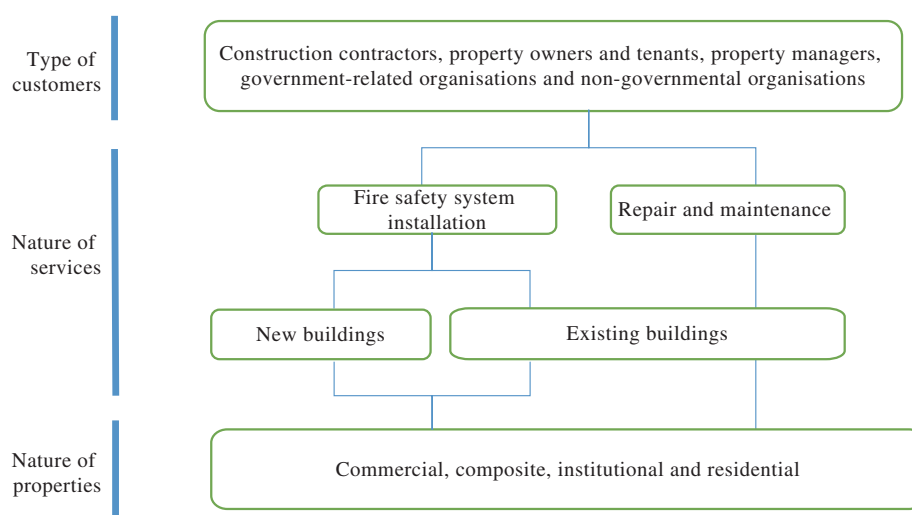
4. Enhance our information management systems

We plan to improve our information management systems to cope with the increasing complexity of our business by adopting a comprehensive ERP system so that we will benefit from higher efficiency, flexibility, accuracy and timeliness in budgeting and financial reporting. We also plan to purchase new computer systems to accommodate our information technology needs. To pursue this strategy, we intend to use approximately HK\$1.3 million of the net proceeds from the Share Offer.

SCOPE OF BUSINESS

Our Group principally provides fire safety services in Hong Kong. Our services include: (i) the design, supply and installation of fire services systems (including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment); and (ii) repair and maintenance of fire safety systems to satisfy the Fire Services Department's requirements. To supplement our repair and maintenance services, we also supply fire equipment to our customers. We undertake projects of various sizes and scope, involving newly completed and existing buildings of various types, such as commercial, composite, institutional and residential buildings.

The following diagram summarises the business model of our fire safety services:



FIRE SAFETY SYSTEM INSTALLATION

The following table sets out a breakdown of our revenue generated from fire safety system installation projects by type of buildings during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
New buildings	6,628	17.9	23,424	34.9	30,368	36.1
Existing buildings	30,462	82.1	43,605	65.1	53,867	63.9
Total	37,090	100.0	67,029	100.0	84,235	100.0

1. New buildings

New building project refers to the provision of our fire safety system installation services for newly completed buildings. All newly completed buildings shall have their fire safety system installed according to the provisions in the Code of Practice for Minimum Fire Service Installations and Equipment issued by the Fire Services Department.

For the years ended 31 March 2015, 2016 and 2017, the revenue generated from our new building projects amounted to approximately HK\$6.6 million, HK\$23.4 million and HK\$30.4 million respectively.

2. Existing buildings

Existing buildings also need our fire safety system installation services because:

- Aging buildings will have to upgrade or replace their fire safety systems.
- Change of the building usages (e.g. from industrial to commercial use as part of the urban renewal effort) requires re-installation of fire safety systems to comply with the relevant regulations.
- When a tenant of commercial buildings (e.g. shopping malls and offices) move in, it will renovate and retrofit the premises and this may require an installation or re-installation of the fire safety system.
- The imposition of more stringent fire safety regulations and/or an increased awareness of fire safety on the part of property owners may also drive the need for an upgrade or replacement of fire safety systems.

For the years ended 31 March 2015, 2016 and 2017, the revenue generated from our existing buildings projects amounted to approximately HK\$30.5 million, HK\$43.6 million and HK\$53.9 million respectively.

When executing a fire safety system installation project, subject to the scope of work under the engagement, our Group is generally responsible for the designing and planning of the fire safety works, arranging direct labour and subcontractors, sourcing of materials and equipment, work supervision and quality control, and ensuring compliance with the requirements of our customers and relevant government authorities such as Fire Services Department.

a. Design of fire safety systems

Our Group may be required to provide detailed designs to certain fire safety systems, including the evacuation and electrical fire alarm systems and water and gas suppression systems. Customers may provide preliminary designs on the building fire safety systems with specific requirements, and given our Group's extensive experience in fire safety industry, we are able to provide detailed designs of the systems that can meet the requirements of our customers and the relevant government authorities such as Fire Services Department based on such preliminary designs and requirements.

b. Supply and installation of fire safety systems

During the supply and installation stage of the fire safety system, we are typically responsible for the overall project management, supervision and implementation of our projects. We will organise subcontractors to carry out the works and source the required equipment and components. Our Group will ensure that such systems installed and the fire safety works carried out by the subcontractors comply with the requirements of our customers and the relevant government authorities such as Fire Services Department.

Upon project completion, we are responsible to conduct the testing, commissioning, inspection of the installed fire safety systems to the satisfaction of the relevant government authorities such as Fire Services Department and the customers.

REPAIR AND MAINTENANCE

We also provide repair and maintenance services on fire safety systems to satisfy the Fire Services Department's requirements.

According to the Fire Service (Installations and Equipment) Regulations, fire safety systems are required to be inspected at least once per year. Our Group, as a registered fire service installation contractor, is able to provide maintenance services for existing building fire safety systems. Such maintenance services generally include inspection on the fire safety systems such as smoke detectors and sprinklers, and emergency call-out services offering 24-hour response to emergency situations such as fire alarm detection and sounder reset, lock out fire control panels, etc. In case of any defects noticed, we will give our customers a quote for repair works. If our quote is accepted, we will assign our staff or subcontractors to carry out the repair works such as fixing defective equipment and replacement of fire equipment.

To supplement our repair and maintenance services, we are also engaged in the supply of fire equipment. In 2005, we first became an approved supplier of a leading property developer in Hong Kong and since then we have been supplying fire equipment such as fire extinguishers, smoke detectors, visual fire alarms to it. In order to maintain as an approved supplier, we are invited to submit tender and be approved by the customer annually. We are generally required to supply and deliver the selected fire safety products in accordance with the terms of the contract and/or the purchase order placed.

For the years ended 31 March 2015, 2016 and 2017, the revenue generated from our repair and maintenance services amounted to approximately HK\$9.0 million, HK\$7.7 million and HK\$7.3 million respectively.

BUSINESS

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Fire safety system installation

We have generated revenue from 842, 647 and 753 fire safety system installation projects for the years ended 31 March 2015, 2016 and 2017 respectively, of which 12, 17 and 23 projects were new building projects respectively, and the contract value for those projects was relatively higher than existing building projects given that the project scales were generally larger. In general, our new building projects and our existing building projects were similar in terms of scope of services, cost structure, cash flow requirement, and risk profile during the Track Record Period.

In view of the large number of projects we entered into during the Track Record Period, our Directors believe that we have demonstrated our requisite expertise and project management capabilities to take on projects.

The following table sets out the number of fire safety system installation projects with revenue contribution during the Track Record Period:

	Number of projects with revenue contribution		
	For the year ended 31 March		
	2015	2016	2017
Fire safety system installation			
— New buildings	12	17	23
— Existing buildings	830	630	730
	<hr/>	<hr/>	<hr/>
Total	842	647	753
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The following table sets out the average revenue recognised per project with revenue contribution during the Track Record Period:

	Average revenue recognised per project		
	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fire safety system installation			
— New buildings	552	1,378	1,320
— Existing buildings	37	69	74
	<hr/>	<hr/>	<hr/>
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BUSINESS

The following table sets forth a summary of our major fire safety system installation projects (i.e. projects with revenue contribution of approximately HK\$3.0 million or above) during the Track Record Period:

Particulars of the contract	Customer (Note 1)	Location	Service period (Note 2)	Contract value HK\$'000	Total revenue recognised during the Track Record Period HK\$'000
Fire safety system installation for an existing building of an international school	Customer A	North Point	August 2015 to December 2016	7,505	7,505
Fire safety system installation for shopping centres in Fu Cheong Estate and Po Tat Estate	Customer L	Sham Shui Po and Sau Mau Ping	January 2015 to September 2015	7,190	7,190
Fire safety system installation for a new hotel on Cameron Road	Customer B	Tsim Sha Tsui	October 2015 (on-going) (Note 3)	5,800	5,800
Fire safety system installation for a new institutional building on Shing Mun Road	Customer J	Tsuen Wan	November 2015 (on-going)	6,555	5,226
Fire safety system installation for an existing building on Ap Lei Chau Main Street	Customer D	Ap Lei Chau	October 2014 to December 2016	5,070	5,070
Fire safety system installation for an existing commercial building on Wai Yip Street	Customer F	Kwun Tong	August 2015 to May 2016	5,000	5,000
Fire safety system installation for a new building on Parkes Street	Customer G	Jordon	March 2014 to October 2015	4,350	4,799
Fire safety system installation for shopping centres in Kwai Fong Plaza, Lek Yuen Estate and Un Chau Estate	Customer L	Kwai Fong, Sha Tin and Sham Shui Po	April 2016 to February 2017	4,440	4,378
Fire safety system installation for a new commercial building on Hankow Road	Customer E	Tsim Sha Tsui	May 2014 to April 2016	4,050	4,050
Fire safety system installation for a new commercial building on Wai Yip Street	Customer C	Kwun Tong	June 2015 (on-going) (Note 3)	3,880	3,880
Fire safety system installation for a commercial building on Nathan Road	Customer E	Mong Kok	November 2016 (on-going)	12,990	3,657

BUSINESS

Particulars of the contract	Customer (Note 1)	Location	Service period (Note 2)	Contract value HK\$'000	Total revenue recognised during the Track Record Period HK\$'000
Fire safety system installation for a shopping centre in Tsz Ching Estate, a car park in Hoi Fu Court and a commercial centre	Customer L	Tsz Wan Shan, Yau Ma Tei and Sha Tin	April 2016 to February 2017	3,660	3,539
Fire safety system installation for a new composite building on Portland Street	Customer E	Mong Kok	March 2015 to October 2016	3,100	3,349
Fire safety system installation for a shopping centre in Tin Yiu Estate	Customer E	Tin Shui Wai	April 2016 (on-going)	3,600	3,237
Fire safety system installation for a new composite building on Queen's Road West	Customer K	Sheung Wan	March 2015 (on-going)	2,900	3,179
Fire safety system installation for shopping centres in Kai Tin Estate and Sui Wo Court	Customer L	Lam Tin and Sha Tin	August 2013 to January 2015	5,680	2,998

Notes:

1. Please refer to the section headed "Business — Customers" for the details and description of our customers.
2. Most contracts entered into between us as a subcontractor and our customers would only state the main contract commencement date and/or expected main contract period, which may last much longer than our fire service installation works required. Hence, service period counts from the point where we first incurred cost for a project to the date where we issued the invoice of the last payment application.
3. For these projects, we had submitted the last payment application as at the Latest Practicable Date and were pending the issuance of payment certificates from our customers.

BUSINESS

Repair and maintenance

For the years ended 31 March 2015, 2016 and 2017, revenue generated from our repair and maintenance services accounted for 19.5%, 10.4% and 8.0% of our revenue respectively, the majority of which was generated from Customer L for its managed retail facilities. Moreover, we have entered into numerous miscellaneous repair and maintenance work orders during the Track Record Period with work order value below HK\$10,000. The scope of works of those work orders mainly included replacement of fire equipment and annual inspection on the fire safety systems.

PROJECTS IN PROGRESS

Subsequent to the Track Record Period, we had 39 fire safety system installation projects in progress, in which their individual contract value exceeds HK\$100,000. The following table sets out a breakdown of such projects in progress:

	Number of projects in progress	Average contract sum per project <i>HK\$'000</i>	Aggregate contract sum of all projects in progress <i>HK\$'000</i>	Corresponding amount of revenue expected to be recognised after the Track Record Period <i>HK\$'000</i>
Fire safety system installation				
— New buildings	11	6,004	66,045	55,033
— Existing buildings	28	1,902	53,258	34,954
Total	39		119,303	89,987

The relatively higher average contract sum per project from new buildings was mainly attributable to the larger project scale of a new building than that of an existing building. In a new building project, our Group is normally responsible for the fire safety system installation of the entire building, while an existing building project may involve only part of a building or part of the fire safety system.

The following table sets out a breakdown of such projects in progress by range of expected completion date:

	New building projects	Existing building projects
Number of projects expected to be completed:		
— in the year ending 31 March 2018	8	27
— in the year ending 31 March 2019	3	1
Total	11	28

BUSINESS

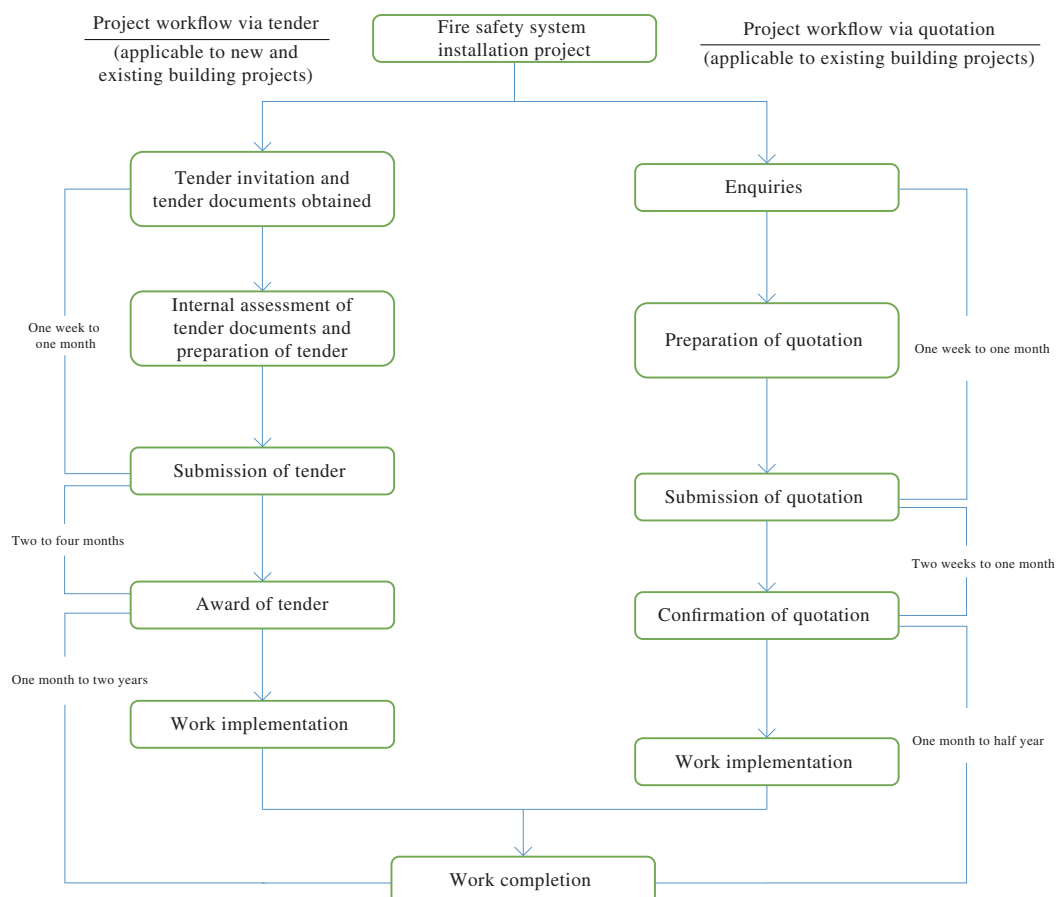
The following table sets out a breakdown of amount of revenue to be recognised from such projects in progress by the expected time of revenue recognition:

	New building projects <i>HK\$'000</i>	Existing building projects <i>HK\$'000</i>
Amount of revenue expected to be recognised:		
— in the year ending 31 March 2018	37,843	34,549
— in the year ending 31 March 2019	17,190	405
Total	55,033	34,954

OPERATING PROCEDURES

Fire safety system installation projects

Our fire safety system installation projects are mainly obtained either by tender or quotation. The following diagram summarises the workflow in typical fire safety system installation projects:



BUSINESS

While the time taken for submission of tender and award of contract is mainly determined by the respective customer, duration for project execution is generally determined by (i) the schedule specified by the customer which is in turn based on the size, complexity and technical features of the project; and (ii) subsequent variation orders and modifications required.

The duration for execution of our new building projects during the Track Record Period ranged from four months to over two years while the duration of our existing building projects during the Track Record Period ranged from one month to one year.

1. *Tender invitation/enquiries and tender documents obtained*

We are mainly invited by our customers by fax, email and phone to submit a tender or to provide a quotation, for a potential project. We are provided with the tender documents or enquiries which mainly contain the work specifications and drawings along with the invitation. For the years ended 31 March 2015, 2016 and 2017, the revenue recognised from contracts obtained through tender (for both fire safety system installation projects and repair and maintenance projects) amounted to approximately HK\$28.3 million, HK\$56.9 million and HK\$68.8 million respectively, which represented approximately 61.4%, 76.1% and 75.2% of our total revenue for the corresponding periods.

For the years ended 31 March 2015, 2016 and 2017, the number of tenders submitted by our Group for our fire safety system installation projects and repair and maintenance projects were 264, 279 and 212 respectively, with the respective success rates of attaining engagement for projects tendered were as follows:

	For the year ended 31 March		
	2015	2016	2017
Success rate (<i>Note</i>)	19.3%	17.6%	21.2%

Note: Success rate is calculated as to the number of tender submission with contracts entered into up to the Latest Practicable Date divided by the number of tender submission to customers during the respective year/period.

2. *Internal assessment*

Our in-house engineering team is responsible for assessing the viability of the projects based on the information on tender documents or in the enquiries provided by potential customers and the information obtained by us.

Our management generally considers the factors set out in our internal policy, such as the profitability, the proposed schedule and availability of resources to undertake such project, when assessing and preparing a tender submission.

3. Preparation and submission of tender/ quotation

Our in-house engineering team is also responsible for preparing the tender or quotation submission documents and all relevant information, to be included therein, including, the tender or quotation price with schedule of rates by consolidating the assessments and estimations of costs and materials derived by our management in accordance with the requirements of the customer, for our management's final decision.

In order to avoid cost overrun, our Group mostly relies on our assessment of costs when preparing our initial tender offer/quotation and takes into consideration any potential increase in service costs to tackle the risk of cost increment over time. We have generally been able to take into account potential increase in costs during the tendering or quotation process with reference to our past experience.

Our management will then decide, based on the assessment as well as the aforesaid factors considered, whether to make the tender or quotation submission. The tender or quotation will be reviewed by a project leader and finally approved by our Director before each submission.

The time allowed for us to prepare the tender responses is specified in the tender documents and varies from case to case. In general, the time allowed for quotation response is usually shorter.

4. Award of tender/Confirmation of quotation

Customers generally enter into formal engagements with us once they decide to award the contract to us.

For contracts awarded through tender, such formal engagement may be in the form of letter of award/letter of intent which requires countersigning by our Group, or a contract between us and the customer. The tender submitted by our Group, including the tender submission documents and post-tender correspondences (e.g. technical queries and schedule of rates), forms part of the contract entered into between our Group and the customer.

For contracts awarded through quotation, our customers may simply sign on the quotation as an indication of acceptance.

5. Work implementation

Our fire safety system installation projects generally involve (i) the design of fire safety systems; (ii) the installation of evacuation and electrical fire alarm systems; (iii) the installation of water and gas suppression systems; and (iv) the installation of portable fire equipment. The hardware devices used in the evacuation and electrical fire alarm systems are mainly fire control panels, fire detectors, visual and audio fire alarms, emergency lighting and exit signs etc. Water and gas suppression systems includes water pumps, water pipes, sprinkler heads, hose reels, gas cylinder, nozzle and control equipment, etc. Portable fire equipment includes portable fire extinguishers and other portable hand-operated appliances etc.

Once a contract is awarded, we will assign a project leader to the project and together with our in-house engineer to form a project team. The project leader will be responsible for the overall management of the project and the engineer will be responsible for the project execution, which includes the engagement of subcontractors and sourcing of materials from our approved lists of subcontractors and suppliers, in accordance with the work plan contained in the tender or quotation submission documents. The project team is also responsible for ensuring the fire safety works carried out by us at different stages comply with the requirements of our customers and the relevant government authorities such as the Fire Services Department.

The major equipment and components used are fire control panels, pump panels, sprinklers, detectors, pumps, fire hydrants, hose reels, alarm bells, break glasses and valves, which are sourced from our suppliers in Hong Kong by us.

Equipment and materials sourced will normally be stored at the work site, subject to the storage area available to avoid disruption.

Our Group will determine the amount of materials needed to be stored at the work sites where the fire safety system installation works are carried out based on the work schedules and with reference to our experience, for direct utilisation.

Most of the on-site installation works are performed by our subcontractors. During the course of execution of the work, the project leader will carry out site inspection to monitor the work progress and review the quality of work done by subcontractors on a regular basis to ensure that the works performed are in conformity with the requirements as set out in the relevant contract. The project team will supervise our subcontractors who will report the project progress to the project team on an ongoing basis. Our Group will make sure that the works are carried out in compliance with the requirements of our customers and the relevant government authorities such as the Fire Services Department. Progress meetings will be held regularly between our Directors, senior management and the project team to discuss the project progress and issues of the projects.

Our Group is generally required to provide testing to the fire systems installed to ensure that the systems function properly and meet the requirements of our customers and the relevant government authorities such as the Fire Services Department.

6. Work Completion

Completion will generally take place when a practical completion certificate is issued by the authorised person of the project (who is mainly the project architect or surveyor) or when we have issued a Certificate of Fire Service Installations and Equipment.

Based on the amount of work completed, our Group makes interim payment application to the customer which sets out the amount of work done and the corresponding value of such work done, which is normally on a monthly basis. Upon receiving our interim payment application, the authorised person will examine the portion of work completed and issue a payment certificate after the examination, which normally takes around four to six weeks from the date of interim payment application. Our Group will then proceed to billing the customer with the payment certificate received. Payments are usually made by cheque.

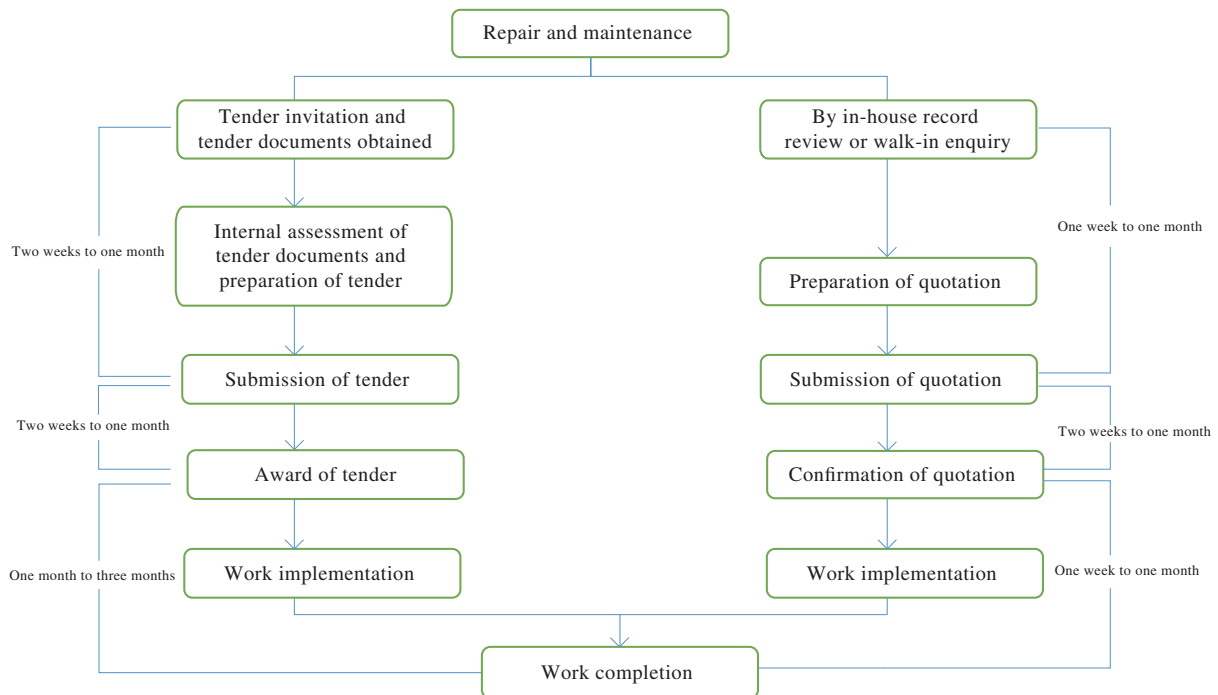
BUSINESS

Our customers generally retain a certain percentage of each payment made to our Group as retention monies. The amount of retention monies usually represents 5% or 10% of the value of works certified in each payment, subject to a maximum retention of 5% respectively of the total original contract value. As at 31 March 2015, 2016 and 2017, unbilled retention monies receivable of our Group were approximately HK\$1.9 million, HK\$3.3 million and HK\$4.4 million, respectively.

Depending on the terms of the contract, a defect liability period is generally 12 months from the date of the practical completion certificate issued by the authorised person of the main contractor of new building projects. During the defect liability period, our Group is responsible for, at our own expense, rectifying the defects in the building fire services systems supplied and installed by our Group as well as defective works provided by our Group. At the end of the defect liability period, the retention monies will be released to us.

Repair and maintenance projects

The following diagram summarises the workflow in typical repair and maintenance projects:



BUSINESS

Our repair and maintenance projects are generally initiated by invitation from our customers to submit a tender, by our in-house record review of the existing customers whose contracts are going to expire, or by enquiries from walk-in customers. The tendering or quotation process for repair and maintenance projects is similar to that of fire safety system installation projects.

Once a contract is awarded to us, an engineer from the repair and maintenance team will be assigned as a person-in-charge for the project. The engineer will be responsible for the overall management of the project. Over a fixed contract period, usually one year, our Group will provide maintenance services of existing fire safety systems of our customers pursuant to the terms of the contract. Such maintenance services include inspection on the fire safety system such as smoke detectors and sprinklers, and emergency call-out services offering 24-hour response to emergency situations such as fire alarm detection and sounder reset, lock out fire control panels, etc. In case of any defects noticed, we will give our customers a quote for repair works. If our quote is accepted, we will assign our staff or subcontractors to carry out the repair works such as fixing defective equipment and replacement of fire equipment. Upon completion of the repair and maintenance, a Certificate of Fire Service Installations and Equipment will be issued by us.

Our Group generally bills the customer pursuant to the terms of the contract, normally on a monthly or job basis and the customers settle the payment by cheque.

CUSTOMERS

We have maintained a diversified customers' base comprising customers from both private sector (non-public sector such as property owners and tenants, construction contractors and property managers) and public sector (government-related organisations and non-governmental organisations). Our Group's fire safety services projects cover different types of buildings, including commercial (e.g. offices, hotels and shopping malls, etc), composite (a combination of any two or more of domestic, commercial or institutional usage), institutional (e.g. schools, hospitals and universities) and residential.

The property managers include Customer L and other customers whose principal business is the management of properties. The construction contractors are usually the main contractors in fire safety system installation projects and we are either appointed by the construction contractors (i.e. a domestic subcontractor) or nominated by the property owners to the construction contractors (i.e. a nominated subcontractor).

BUSINESS

The following table sets forth the revenue recognised by customer type during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private Sector	44,931	97.5	73,731	98.6	90,479	98.9
– Owner and tenants	17,383	37.7	17,133	22.9	21,935	24.0
– Property managers	10,838	23.5	11,183	15.0	12,453	13.6
– Construction Contractors (Note)						
– As a domestic subcontractor	14,028	30.5	40,674	54.4	49,844	54.5
– As a nominated subcontractor	2,682	5.8	4,741	6.3	6,247	6.8
Public Sector	1,169	2.5	1,041	1.4	1,046	1.1
– Government-related organisations	599	1.3	451	0.6	403	0.4
– Non-governmental organisations	570	1.2	590	0.8	643	0.7
	<u>46,100</u>	<u>100.0</u>	<u>74,772</u>	<u>100.0</u>	<u>91,525</u>	<u>100.0</u>

Note: Our Group acts as a domestic subcontractor for projects when engaged by the construction contractors and as a nominated subcontractor for projects when engaged by the main contractor through the nomination of the ultimate owners of the projects, such as property owners.

For the years ended 31 March 2015, 2016 and 2017, approximately 97.5%, 98.6% and 98.9% of our revenue respectively was generated from private sector works. The revenue contributed by works for owner and tenants accounted for approximately HK\$17.4 million, HK\$17.1 million and HK\$21.9 million respectively for the years ended 31 March 2015, 2016 and 2017, which accounted for approximately 37.7%, 22.9% and 24.0% of our total revenue for the corresponding periods, respectively. The revenue contributed by works for property managers accounted for approximately HK\$10.8 million, HK\$11.2 million and HK\$12.5 million respectively for the years ended 31 March 2015, 2016 and 2017, which accounted for approximately 23.5%, 15.0% and 13.6% of our total revenue for the corresponding periods, respectively.

The following table sets out a breakdown of our revenue by building type of the properties during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Commercial	33,730	73.2	47,481	63.5	58,840	64.3
Composite	3,166	6.9	10,177	13.6	9,381	10.3
Institutional	7,904	17.1	12,824	17.2	19,791	21.6
Residential	1,300	2.8	4,290	5.7	3,513	3.8
Total	<u>46,100</u>	<u>100.0</u>	<u>74,772</u>	<u>100.0</u>	<u>91,525</u>	<u>100.0</u>

BUSINESS

Our revenue derived from works carried out in commercial buildings accounted for approximately HK\$33.7 million, HK\$47.5 million and HK\$58.8 million respectively for the years ended 31 March 2015, 2016 and 2017, which accounted for approximately 73.2%, 63.5% and 64.3% of our total revenue for the corresponding periods, respectively.

The following table sets forth the details of our five largest customers based on the ranking arranged according to our Group's revenue attributable to each of them during the Track Record Period:

For the year ended 31 March 2017

Rank	Customer	Services provided by our Group	Approximate length of business relationship with us as at 31 March 2017	Revenue <i>HK\$'000</i>	Approximate % of our total revenue %	Credit period	Settlement method
1	Customer E	Provision of fire safe system installation services	Five years	11,476	12.5	30 days	Cheque
2	Customer L	Provision of fire safe system installation services, and repair and maintenance services	Four years	10,686	11.7	0-30 days	Cheque
3	Customer B	Provision of fire safe system installation services	Three years	9,362	10.2	nil	Cheque
4	Customer J	Provision of fire safe system installation services	Four years	5,162	5.6	nil	Cheque
5	Customer D	Provision of fire safe system installation services	Two years	5,108	5.6	30 days	Cheque

BUSINESS

For the year ended 31 March 2016

Rank	Customer	Services provided by our Group	Approximate length of business relationship with us as at 31 March 2017	Revenue HK\$'000	Approximate % of our total revenue %	Credit period	Settlement method
1	Customer L	Provision of fire safety system installation services, and repair and maintenance services	Four years	9,463	12.7	0-30 days	Cheque
2	Customer E	Provision of fire safety system installation services	Five years	7,736	10.3	30 days	Cheque
3	Customer F	Provision of fire safety system installation services	Six years	4,808	6.4	30 days	Cheque
4	Customer B	Provision of fire safety system installation services	Three years	3,732	5.0	nil	Cheque
5	Customer A	Provision of fire safety system installation services	One year	3,670	4.9	30 days	Cheque

For the year ended 31 March 2015

Rank	Customer	Services provided by our Group	Approximate length of business relationship with us as at 31 March 2017	Revenue HK\$'000	Approximate % of our total revenue %	Credit period	Settlement method
1	Customer L	Provision of fire safety system installation services, and repair and maintenance services	Four years	9,380	20.3	0-30 days	Cheque
2	Customer G	Provision of fire safety system installation services	Two years	2,885	6.3	nil	Cheque
3	Customer H	Provision of fire safety system installation services	Two years	2,254	4.9	nil	Cheque
4	Customer I	Provision of fire safety system installation services	Nine years	1,765	3.8	30 days	Cheque
5	Customer B	Provision of fire safety system installation services	Three years	1,606	3.5	nil	Cheque

BUSINESS

Notes:

1. Customer A is a comprehensive construction company based in Japan. The company is both a registered general building contractor and registered specialist contractor for site formation works of the Buildings Department. It is also an approved contractor for public works of the Development Bureau.
2. Customer B is a company incorporated in Hong Kong. It is a registered general building contractor and a registered specialist contractor for foundation works and site formation works with the Buildings Department.
3. Customer C is a company incorporated in Hong Kong. The company is on the register of general building contractors of the Buildings Department.
4. Customer D is a group of companies which are wholly-owned by a listed property developer in Hong Kong.
5. Customer E is a company incorporated in Hong Kong and is indirectly wholly-owned by a listed company in Hong Kong. It is a registered general building contractor and a registered specialist contractor for foundation works and site formation works of the Buildings Department.
6. Customer F is an indirectly wholly-owned subsidiary of a Hong Kong listed company. It is a registered specialist contractor for ventilation works and a registered minor works contractor of the Buildings Department.
7. Customer G is a company incorporated in Hong Kong and a wholly-owned subsidiary of a Hong Kong listed company. It is also a registered general building contractor and a registered specialist contractor in respect of demolition works, foundation works and site formation works of the Buildings Department.
8. Customer H is an edible ice manufacturer in Hong Kong. The company also provides a variety of products included canned food, drinks, instant noodle and seasonings.
9. Customer I is a company incorporated in Hong Kong and is a registered minor works contractor of the Buildings Department. The company provides design, supply and installation services in laboratory fitting out project, cleanroom and pharmaceutical facilities, containment facilities and radiation protection area.
10. Customer J is a company incorporated in Hong Kong. The company is on the register of general building contractors of the Buildings Department. It is also an approved contractor for public works of the Development Bureau.
11. Customer K is a company incorporated in Hong Kong.
12. Customer L is a manager of a REIT listed on the Stock Exchange with 157 properties under its management including retail facilities, fresh markets, car parks and offices across Hong Kong and Mainland China as at 31 March 2017.

We had business relationships with our five largest customers on average for approximately four years, as at 31 March 2017. For the years ended 31 March 2015, 2016 and 2017, our five largest customers in aggregate accounted for approximately 38.8%, 39.3% and 45.6% respectively of our revenue while the largest customer accounted for approximately 20.3%, 12.7% and 12.5% respectively of our revenue. None of our Directors, their respective associates or any Shareholder who or which, to the best knowledge of our Directors owns, more than 5% of the issued share capital of our Company had any interest in any of the five largest customers during the Track Record Period. None of our Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

Our relationship with Customer L

The largest customer for each of the year ended 31 March 2015 and 2016, namely Customer L, is a company with shares listed on the Stock Exchange. It is the manager of a REIT with a total of 157 properties under its management including retail facilities, fresh markets, car parks and offices across Hong Kong and Mainland China as at 31 March 2017. Our revenue attributable to Customer L amounted to approximately HK\$9.4 million, HK\$9.5 million and HK\$10.7 million for the years ended 31 March 2015, 2016 and 2017, which accounted for approximately 20.3%, 12.7% and 11.7% of our total revenue for the corresponding periods, respectively.

In September 2012, our Group has secured a contract from Customer L for a term of two years for the provision of repair and maintenance services on fire safety systems which demonstrated our Group's ability to provide quality repair and maintenance services to sizeable listed companies. Under such term contract with Customer L, we provided repair and maintenance services for the fire safety systems in its managed facilities such as shopping centres, carparks, markets and cooked food stalls. In 2014, Customer L extended the term contract pursuant to its terms for another two years until September 2016. In August 2016, our Group secured a new repair and maintenance services contract with Customer L which will expire in September 2018 with an option for Customer L to extend for a further two-year period upon expiry.

Apart from the repair and maintenance services on fire safety systems, Customer L has also engaged us to provide fire safety system installation services to them starting from 2013. Our Directors are of the view that our ability to provide continuous services to Customer L was due to our ability to provide high quality repair and maintenance services and our capability to deliver our services in a timely manner to its satisfaction. Customer L gave us an appreciation letter in July 2016 in recognition of our commitment to quality services.

General terms of engagement with customers

The following paragraphs set forth the general terms of engagement in the contracts between our customers and us in respect of the fire safety system installation projects and repair and maintenance projects.

Fire safety system installation projects

(i) Nature and scope of works

The term would specify the type and quantity of fire safety systems to be covered, the types of fire safety works to be carried out and the areas/facilities that require such fire safety works.

(ii) Work schedule

For sizeable projects where we usually act as subcontractor, we have to follow the main contractor's program of works on site pursuant to the main contract. Main contractors will usually notify us the time to commence work. For small size projects, the contract may not stipulate the start date or work schedule. The customer will usually notify us the start date separately.

(iii) Payment terms

The total contract sum is clearly stated, which is generally a fixed amount. Based on the amount of work completed, our Group makes progress payment application to the customer which sets out the amount of work done and its corresponding value, which is normally on a monthly basis. The application is subject to examination by the customer's authorised person or its consultant and the issuing of a certification based on such examination approving the amount of works eligible for payment under the application.

(iv) Retention monies

A certain percentage of each fee payment made to our Group, usually ranges from 5% to 10% of the relevant fee payment sum, the aggregate of which is subject to the maximum amount of 5% of the contract value, may be withheld by some customers as retention money and will be released at the end of the defect liability period.

(v) Defect liability period

A defect liability period is generally 12 months from the date of the practical completion certificate issued by the authorised person, depending on the terms of individual contracts. During the defect liability period, our Group is responsible for, at our own expense, rectifying any defects in the building fire services systems supplied and installed by our Group as well as defective works provided by our Group or our subcontractors.

(vi) Liquidated damages

The contracts usually include a liquidated damages clause stipulating that in the event our Group fails to complete the work set out in the contracts within the allowed timeframe while no prior approval for any extension of time has been given by the customers and/or causes unnecessary delay to project completion that result in loss incurred by the customer, our Group shall compensate the customers by way of liquidated damages based on a daily fixed sum set out in the contract. Our Directors confirmed that there was no material liquidated damages paid by our Group during the Track Record Period.

(vii) Variation order

Depending on the terms and conditions of individual contracts, our customers may give instructions to us to vary the contract works which we are generally obliged to follow. Such variation orders could be addition, modification or cancellation of the contract works. The value of the variations is generally ascertained with reference to the rates and prices already specified in the contract, and the total contract sum of the relevant project is adjusted accordingly.

(viii) Termination

Generally, our customers may terminate our contracts if (i) we have completely or substantially suspended our works without good cause; (ii) we have failed to carry out our work properly and diligently; (iii) we have failed to comply with our customer's instructions; or (iv) we are being liquidated.

Repair and maintenance projects

(i) Scope of work

The scope of work specifies the types of repair and maintenance services required.

(ii) Duration of work

Due to the nature of the repair and maintenance works, most contracts do not specify the work commencement date or work duration. For term maintenance services, however, there is a contract period ranging from 12 to 24 months.

(iii) Payment terms

The total contract sum is stated in the contract, which is generally a fixed amount. Our Group is entitled to bill the customer in accordance with specific timeframe which is either on a monthly basis or job basis, and the customers settle the payment by cheque.

PRICING POLICY

Our Group adopts a cost-plus pricing model for setting the price of our project.

For the pricing of a fire safety system installation project, we consider the factors including (i) the complexity of the project; (ii) the specifications of the project; (iii) our prevailing capacity; (iv) the historical project cost (which mainly includes our direct labour costs, subcontracting fees, and material and equipment costs; (v) historical fee our Group received for similar projects; and (vi) the current fee level in the market and competitive conditions at the contract negotiation stage.

For the pricing of a repair and maintenance project, we consider the factors including (i) the scope and nature of works; (ii) our then prevailing capacity; (iii) historical fee our Group received for similar projects; and (iv) the current fee level in the market and competitive conditions at the contract negotiation stage.

BUSINESS

It is important for us to accurately assess the cost for the projects prior to entering into contracts with our customers in order to avoid overbudget and to ensure that we can generate profit within our expected profit margin from the relevant projects. Our contracts with customers usually contain a variation order clause which obligates our Group to execute additional works or modify the original scope of works as our customers may request from time to time. In the event that our customers place variations orders, we will ascertain the amount of additional cost and expenses which is subject to the written approval of the authorised person appointed by our customers. During the Track Record Period, our Group has not engaged in any material claims or disputes with our customers in relation to value of variation works performed by our Group.

CREDIT MANAGEMENT

Our Group allows a credit period of 0 to 30 days to our customers from the date of invoices. Our Directors regularly assess the collectibility of our trade receivables on a case-by-case basis to determine if any provision for trade receivables is necessary. Our Director's assessment is based on, among other things, the evaluation of collectibility, ageing analysis of the receivables, the ultimate realisation of these outstandings, the current creditworthiness, the past collection history of and our Group's current and potential future business relationship with each customer. If the financial conditions of any of our Group's customers deteriorate, resulting in an impairment of their ability to make payments, provision for trade receivables may be required. During the Track Record Period, allowance for bad and doubtful debts on trade receivables of approximately HK\$160,000, HK\$226,000 and HK\$125,000 were recognised for the years ended 31 March 2015, 2016 and 2017, respectively.

As at the Latest Practicable Date, all of our revenue were generated from Hong Kong and all of our sales were denominated in HK dollars.

For the years ended 31 March 2015, 2016 and 2017, the average trade receivable turnover days were approximately 52.0 days, 48.3 days and 46.3 days, respectively.

SEASONALITY

Our Directors believe that the industry in which our Group operates does not exhibit any significant seasonality.

SUPPLIERS AND SUBCONTRACTORS

Supplies of materials and equipment

Our suppliers, all located in Hong Kong, mainly include suppliers of fire safety services related materials and equipment such as fire control panels, fire and smoke detectors, metal accessories, water pipes and water pumps.

We have adopted a policy on the management of suppliers and subcontractors, whereby we would conduct background checks on our suppliers and select our suppliers based on various factors, including the price and quality of their products, the reliability of their on-time delivery, and their reputation in the industry. We would also carry out periodic reviews of our suppliers to ensure the quality of the products supplied to us meet our requirements.

BUSINESS

The following table sets forth the details of our five largest suppliers based on the ranking arranged according to the material and equipment costs incurred by our Group and attributable to each of them during the Track Record Period:

For the year ended 31 March 2017

Rank	Supplier	Principal activities	Goods provided to our Group	Approximate length of business relationship with us as at 31 March 2017	Material and equipment costs HK\$'000	Approximate % of our direct costs %	Credit period	Settlement method
1	Supplier A	Supply of firefighting products	Fire equipment and related accessories	Seven years	3,935	6.4	30 days	Cheque
2	Supplier C	Supply of water pipes	Water pipes	Eight years	2,258	3.6	30 days	Cheque
3	Supplier D	Supply of metal related accessories	Metal accessories	Seven years	1,433	2.3	nil	Cheque
4	Supplier E	Supply of electrical products	Fire equipment and related electrical accessories	Nine years	967	1.6	30 days	Cheque
5	Supplier B	Supply of water pump	Water pumps	Seven years	891	1.4	30 days	Cheque

For the year ended 31 March 2016

Rank	Supplier	Principal activities	Goods provided to our Group	Approximate length of business relationship with us as at 31 March 2017	Material and equipment costs HK\$'000	Approximate % of our direct costs %	Credit period	Settlement method
1	Supplier A	Supply of firefighting products	Fire equipment and related accessories	Seven years	4,360	8.9	30 days	Cheque
2	Supplier C	Supply of pipes, fittings and other related accessories	Water pipes	Eight years	2,426	4.9	30 days	Cheque
3	Supplier B	Supply of water pumps	Water pumps	Seven years	1,183	2.4	30 days	Cheque
4	Supplier D	Supply of metal related accessories	Metal accessories	Seven years	1,049	2.1	nil	Cheque
5	Supplier E	Supply of electrical products	Fire equipment and related electrical accessories	Nine years	588	1.1	30 days	Cheque

BUSINESS

For the year ended 31 March 2015

Rank	Supplier	Principal activities	Goods provided to our Group	Approximate length of business relationship with us as at 31 March 2017	Material and equipment costs <i>HK\$'000</i>	Approximate % of our direct costs %	Credit period	Settlement method
1	Supplier A	Supply of firefighting products	Fire equipment and related accessories	Seven years	2,261	7.9	30 days	Cheque
2	Supplier C	Supply of pipes, fittings and other related accessories	Water pipes	Eight years	676	2.4	30 days	Cheque
3	Supplier E	Supply of electrical products	Fire equipment and related electrical accessories	Nine years	605	2.1	30 days	Cheque
4	Supplier F	Supply of building materials and equipment	Water tanks	Two years	480	1.6	nil	Cheque
5	Supplier D	Supply of metal related accessories	Metal accessories	Seven years	428	1.5	nil	Cheque

Note: All of our suppliers are located in Hong Kong.

We have developed close business relationships with our five largest suppliers. Our five largest suppliers had business relationships with us in average for approximately six years as at 31 March 2017. For the years ended 31 March 2015, 2016 and 2017, our five largest suppliers accounted for approximately 15.5%, 19.4% and 15.3%, respectively, of our total direct cost, and our largest supplier accounted for approximately 7.9%, 8.9% and 6.4%, respectively, of our total direct costs during the same periods.

During the Track Record Period, our five largest suppliers were all Independent Third Parties. None of our Directors, their respective close associates or any Shareholder who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company had any interest in our five largest suppliers during the Track Record Period.

Subcontracting arrangement

Our subcontractors consist of sole proprietors and private companies, all of which are located in Hong Kong. While we have not entered into any long-term agreement with our subcontractors, we engage them on a project basis. Nevertheless, we believe we have maintained good relationships with our subcontractors. As at the Latest Practicable Date, we had 24 subcontractors on our approved list, of which approximately 18 were active and participated in our existing projects.

During the Track Record Period, we subcontracted out some of our fire safety system installation works, such as installation of evacuation and electrical fire alarm system, and water and gas suppression system. Although the subcontracting arrangement is usually more costly as compared to direct labour involvement of our own workforce and may lower our gross profit margin, we consider that this subcontracting arrangement would (i) minimise our need to employ and maintain a large workforce and reduce our administrative expense; and (ii) increase flexibility when we need extra capacity in carrying out our works. With the engagement of subcontractors, we are able to focus on the overall management and quality assurance of our projects based on our experience and expertise, and take on larger projects. For the years ended 31 March 2015, 2016 and 2017, our subcontracting fees accounted for approximately 56.0%, 61.3% and 65.3% of our direct cost respectively. Our subcontractors are neither our employees nor agents and we are not a party to the employment arrangement between our subcontractors and their employees.

Criteria for selecting subcontractors

Our Group maintains an internal list of approved subcontractors, which is updated on a continuous basis. Our Group carefully evaluates subcontractors taking into account, among other things, their quality of works, site management and work planning capability, time management and stability. While engaging subcontractors, our Group generally selects the most suitable subcontractor from the approved list based on their relevant skill sets and experience, subject to their availability and fee quotations.

Control on subcontractors

Other than providing the necessary equipment to them, we normally provide our subcontractors with the materials to be used in the projects in order to control the quality of their works. Our assigned project leader will supervise the works performed by our subcontractors, and also review the subcontractors' works on an on-going basis to ensure that the subcontractors' works conform to the designs stipulated in the contracts. Such supervision and review procedures include, among others:

- perform regular on-site inspection by the project leader or responsible staff to ensure the subcontractors' works are in compliance with the contracts' requirements;
- hold work progress meetings with the subcontractors to ensure timely completion of the works;
- evaluate the work performance and compliance of subcontractors as a whole after completion of the subcontractors' works; and
- maintain records of any serious non-compliance committed by our subcontractors.

BUSINESS

In order to ensure the safety of the subcontractors, our Group has also devised the following guidelines for them to follow:

- our assigned project leader is responsible for inspecting site conditions, closely monitoring the safety performances of our subcontractors, stopping any unsafe acts and suspending any dangerous operation, and initiating prompt remedial actions to remedy such safety issues on a regular basis;
- supply our subcontractors with our internal guidelines on safety issues and on compliance with applicable rules and regulations, and require them to follow; and
- induction safety trainings are provided to all new subcontractors and specific trainings are held to equip subcontractors with the requisite knowledge and skills in dealing with safety issues.

The following table sets forth the details of our five largest subcontractors based on the ranking arranged according to the subcontracting fees incurred by our Group and attributable to each of them during the Track Record Period:

For the year ended 31 March 2017

Rank	Subcontractor	Services provided to our Group	Approximate length of business relationship with us as at 31 March 2017	Subcontracting fees <i>HK\$'000</i>	Approximate % of our direct costs	Credit period	Settlement method
1	Subcontractor E	Installation of water and gas suppression system, and evacuation and electrical fire alarm system	Three years	8,886	14.4 %	nil	Cheque
2	Subcontractor A	Installation of water and gas suppression system	11 years	6,073	9.8 %	nil	Cheque
3	Subcontractor B	Installation of evacuation and electrical fire alarm system	11 years	4,366	7.1 %	nil	Cheque
4	Subcontractor D	Installation of evacuation and electrical fire alarm system	Six years	4,120	6.7 %	nil	Cheque
5	Subcontractor C	Installation of water and gas suppression system	11 years	3,996	6.5 %	nil	Cheque

BUSINESS

For the year ended 31 March 2016

Rank	Subcontractor	Services provided to our Group	Approximate length of business relationship with us as at 31 March 2017	Subcontracting fees <i>HK\$'000</i>	Approximate % of our direct costs	Credit period	Settlement method
1	Subcontractor E	Installation of water and gas suppression system, and evacuation and electrical fire alarm system	Three years	7,094	14.4	nil	Cheque
2	Subcontractor A	Installation of water and gas suppression system	11 years	5,224	10.6	nil	Cheque
3	Subcontractor F	Installation of water and gas suppression system	11 years	3,811	7.7	nil	Cheque
4	Subcontractor B	Installation of evacuation and electrical fire alarm system	11 years	3,434	7.0	nil	Cheque
5	Subcontractor C	Installation of water and gas suppression system	11 years	2,690	5.5	nil	Cheque

BUSINESS

For the year ended 31 March 2015

Rank	Subcontractor	Services provided to our Group	Approximate length of business relationship with us as at 31 March 2017	Subcontracting fees <i>HK\$'000</i>	Approximate % of our direct costs	Credit period	Settlement method
1	Subcontractor E	Installation of water and gas suppression system, and evacuation and electrical fire alarm system	Three years	4,726	16.5	nil	Cheque
2	Subcontractor F	Installation of water and gas suppression system	11 years	2,278	7.9	nil	Cheque
3	Subcontractor A	Installation of water and gas suppression system	11 years	1,891	6.6	nil	Cheque
4	Subcontractor C	Installation of water and gas suppression system	11 years	1,846	6.4	nil	Cheque
5	Subcontractor B	Installation of evacuation and electrical fire alarm system	11 years	1,693	5.9	nil	Cheque

Note: Our subcontractors consist of sole proprietors and private companies, all of which are located in Hong Kong.

We have developed close business relationships with our five largest subcontractors. Most of these five largest subcontractors during the Track Record Period had business relationships with us for over 10 years as at 31 March 2017. For the years ended 31 March 2015, 2016 and 2017, our five largest subcontractors accounted for approximately 43.3%, 45.2% and 44.5%, respectively, of our total direct costs, and our largest subcontractor accounted for approximately 16.5%, 14.4% and 14.4%, respectively, of our total direct cost during the same periods.

During the Track Record Period, our five largest subcontractors were all Independent Third Parties. None of our Directors, their respective associates or any Shareholder who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company had any interest in our five largest subcontractors during the Track Record Period.

BUSINESS

Our Group generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or engaging subcontractors during the Track Record Period. We did not have any significant disputes with any of our top five suppliers and subcontractors during the Track Record Period.

During the Track Record Period, most purchases and subcontracting fees were settled in Hong Kong dollars and most of them were settled by cheques. Generally, our Group's purchases of fire equipment and materials are settled on an order-by-order basis, while the subcontracting fees are settled on a monthly basis.

General terms of engagement with suppliers and subcontractors

Suppliers

In general, our Group does not enter into long term agreements with our equipment and material suppliers and will only make purchase orders on a project basis.

The purchase order contains the schedule of rates with unit price for each purchased items and quantity purchased. Deposit based on a certain percentage of the purchase amount may be required by the suppliers. The credit term offered to us is generally 0 to 30 days.

Subcontractors

Our Group does not enter into long term agreements with our subcontractors and will only enter into subcontracting agreement or place a job order with subcontractors on a project basis.

The subcontracting agreement sets out the scope and duration of works. Such agreement also sets out the fixed contract sum, and shall only be adjusted by variation orders as requested by our Group's customer of the relevant project. Our subcontractors normally make payment application for interim payment on a monthly basis. Once we verified the value of works completed by the relevant subcontractor against its payment application, we will make payment accordingly as soon as possible and normally within one month. To the best knowledge of our Directors, our subcontractors normally do not offer any credit period to their customers (including our Group) because they mainly consist of sole proprietors and private companies, which have limited financial resources.

SALES AND MARKETING

Our Directors consider that our proven track record and ability to deliver quality services help us retain our existing customers and attract new customers, hence we did not conduct any marketing or promotional activity during the Track Record Period.

BUSINESS

QUALITY CONTROL

Our business is operated under a set of procedures that complies with the ISO 9001:2008 quality standards which has been obtained since 2016. Each project has an experienced project leader who is responsible for the project's overall quality assurance.

As at the Latest Practicable Date, most of the members of our engineering team possess diploma or above qualification in engineering disciplines. For our Group's quality control measures over our Group's subcontractors, please refer to the section headed "Business — Suppliers and subcontractors — Control on subcontractors" in this prospectus.

Regarding the materials purchased by us, we generally procure materials from our internal list of approved suppliers which we review annually to ensure consistency of quality. Any items with defects or which are not consistent with the product specifications stated in the purchase orders would be returned to the suppliers for replacement. During the Track Record Period, there were no material return of materials to our suppliers.

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

CERTIFICATIONS

The following table sets out the major certifications received by our Group in relation to our management systems:

Year of grant	Date of expiry	Nature	Description	Assessing body
7 April 2016	15 September 2018	Quality Management Systems Certification	ISO 9001:2008	AJA Registrars Limited
6 April 2016	15 September 2018	Environmental Management Systems Certification	ISO 14001:2004	AJA Registrars Limited
21 April 2016	21 April 2019	Occupational Health and Safety Management Systems Certification	OHSAS 18001:2007	AJA Registrars Limited

Note: ISO 9001:2008 represents the Quality Management System of the design, supply, installation and maintenance of fire services, water pumping and plumbing system. ISO 14001:2004 represents the Environmental Management System of the design, supply, installation and maintenance of fire services, water pumping and plumbing system. OHSAS 18001:2007 represents the Occupational Health and Safety Management System of the design, installation and maintenance of fire services, water pumping and plumbing system.

BUSINESS

LICENCES AND PERMITS

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all necessary permits, licences and registration required for our business activities. As at the Latest Practicable Date, our Group had the following registrations and licences that are material to the business operations of our Group in Hong Kong:

Registration/Licence	Governing authority	Registrant/Holder	Date of grant/ last renewal	Expiry date of current licences/registration
Certificate of Registration of Electrical Contractor	Electrical and Mechanical Services Department	KY Engineering	27 June 2016	26 June 2019
Certificate of Registration of Electrical Contractor	Electrical and Mechanical Services Department	KY Contracting	1 April 2016	17 June 2019
Registered Fire Service Installation Contractor — Class 1	Fire Services Department	KY Contracting	13 September 2005	Not applicable
Registered Fire Service Installation Contractor — Class 2	Fire Services Department	KY Contracting	13 September 2005	Not applicable
Registered Subcontractor (trade specially: electrical, fire service pipe work, fire services electrical fittings)	Construction Industry Council	KY Contracting	11 April 2017	10 April 2019

As a Registered Fire Service Installation Contractor — Classes 1 & 2, KY Contracting must have at least a director, partner or employee who can meet the qualification requirements specified in the Fire Service (Installation Contractors) Regulations. For details of the regulatory environment of our industry, please refer to the section headed “Regulatory Overview” in this prospectus. As at the Latest Practicable Date, Mr. Wong Chi Chiu, a member of our senior management, and two other employees have been approved by the Fire Services Department as qualified persons — electrical engineer and licensed plumbers respectively.

The Legal Counsel advised that she did not foresee any material legal impediment in the renewal of the aforesaid registrations/licences.

OCCUPATIONAL HEALTH AND SAFETY

Safety management system

Our Group has established in-house rules and safety measures for our employees and subcontractors to observe in order to facilitate a safe and healthy working environment.

Our Group has implemented the following measures to ensure workplace safety:

- safety policies, objectives and safety records are documented, maintained and displayed in our office. Our employees and subcontractors are required to observe and obey all of our safety policies and measures, which include proper procedures to follow for working at night and the use of proper personal protection equipment for carry out our Group's services;
- our employees and subcontractors, are required to attend safety trainings organised by our Group.

Procedures for handling employee injuries and accidents at work

Pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the typical policies with the insurance companies, accidents and injuries involving employees of our Group and its subcontractors during their course of employment are required to be reported to the Department of Labour of Hong Kong and/or the customer and/or the insurance company in accordance with the procedures required by law or the relevant insurance policies. Our Group also maintain an internal record of accidents.

Our Group has a proper system in place for recording and handling accidents and injuries of the workers (including employee of our subcontractors) during the Track Record Period and up to the Latest Practicable Date. Our Group's finance and administration department is responsible for handling accidents and injuries of the workers occurred in the work sites. To ensure that any of such incidents will be properly recorded and handled, our Group has established a system that covers the areas including (i) the recording of the accidents and injuries; and (ii) the communications between the injured person and insurance company. It is our policy to have a master file maintained by the finance and administration department for recording the information in relation to all accidents and injuries of employees, including name of injured person and details of the accidents and injuries. To protect the benefit of related employees and our Group, it is also our policy for the finance and administration department to immediately report any possible claim to the insurance company. In the cases of serious accidents that involves fatality or injuries that result in permanent disability and injuries of employees, our Group may seek legal advice immediately should our Group's senior management considers appropriate and necessary.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' health and work safety or any non-compliance with the applicable laws and regulations relevant to worker's health and work safety.

ENVIRONMENTAL COMPLIANCE

Our Directors believe that it is essential for us to be environmentally responsible and to meet our customers' demands in environmental protection and at the same time meeting the community's expectation for a healthy living and working environment. To this end, we have set up an environmental management system, which was accredited by AJA Registrars Limited with ISO 14001:2004 certification, to promote environmental awareness and to prevent pollution of the environment resulting from our works. In general, the permitted hours for operation at project site is from 7:00 a.m. to 7:00 p.m. Monday to Saturday. Works are not permitted on general public holidays unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system.

During the Track Record Period, our Group did not incur any material amount in relation to compliance with applicable environmental requirements. Our Group estimates that its annual cost of compliance going forward will be at a level similar to that during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we were not prosecuted for any breach of any applicable environmental laws and regulations.

INSURANCE

We have taken out the insurances set out in the paragraphs below in respect of our operations.

For the years ended 31 March 2015, 2016 and 2017, the total insurance premiums we paid were approximately HK\$0.3 million, HK\$0.2 million and HK\$0.6 million, respectively.

We believe our insurance coverage is adequate having regard to our current operations and the prevailing industry practice.

Employees' compensation insurance

Under the Employees' Compensation Ordinance, employers (including contractors and subcontractors) in Hong Kong are required to insure against their liabilities for injuries to their employees in the course of their employment. A contractor is also liable for injuries to its subcontractors' employees who do the subcontracted work.

In Hong Kong, main contractors of construction projects would normally insure against their liabilities as well as the liabilities of all its subcontractors for injuries at work under the Employees' Compensation Ordinance.

BUSINESS

The general coverage of our liabilities for injuries to our employees and our subcontractors' employees are summarised as follows:

Our role	Insurance coverage
As subcontractor	Covered by insurance taken out by the main contractor (<i>Note</i>)
As main contractor	Covered by insurance taken out by us
As employer of our staff who work in our office	Covered by insurance taken out by us

Note: Some main contractors may not provide the insurance coverage. In such cases, we will take out separate insurance.

The maximum amount of liability insured is generally HK\$200 million per event in accordance with the employee compensation law in Hong Kong.

Contractors' all risks insurance

Contractors' all risks insurance generally covers (i) damage to our contracted works; (ii) third parties' liabilities arising from accidental death, bodily injury, illness or decease suffered by any person (excluding employees' compensations) or accidental loss or damage to third parties' properties out of the performance of the contracted works.

In Hong Kong, main contractors of construction projects would normally take out contractors' all risks insurance against their liabilities as well as the liabilities of all its subcontractors.

The general coverage of the risk of damage to our contracted works and third parties liabilities are summarised as follows:

Our role	Insurance coverage
As subcontractor	Covered by insurance taken out by the main contractor
As main contractor	Covered by insurance taken out by us

If the contractors' all risks insurance is taken out by the main contractor, the maximum amount of liabilities insured will depend on the terms of the relevant insurance policy.

Meanwhile, we have taken out contractors' all risks insurance for a maximum liability insured of (i) HK\$500,000 in respect of damage to contracted works; and (ii) HK\$20 million per incident for third parties liabilities.

Other insurance coverage

We have insured against general office risks including damage to office contents in our offices and the damage to our motor vehicles and/or third-party liabilities in relation to the use of our motor vehicles.

BUSINESS

EMPLOYEES

Number of employees by function

As at 31 March 2015, 31 March 2016, 31 March 2017 and the Latest Practicable Date, our Group had a total of 25, 30, 39 and 44 employees, respectively. All of them are located in Hong Kong.

Set out below is the number of employees by department as at the Latest Practicable Date:

	As at the Latest Practicable Date
Management	3
Finance and administration department	6
Fire safety system installation department	17
Repair and maintenance department	14
Project coordination and logistic support department	4
Total	44

As at the Latest Practicable Date, we had three technicians, four site supervisors and seven draftsmen in our team and hence, we were able to meet the various technical support staff requirements (including the qualification requirements for registration as a fire service installation contractor) for admission and retention as a specialist contractor on the Approved Specialist List for Public Works under the fire service installation category, and we had one project/contractor manager, one qualified professional engineer, one site supervisory staff and two licensed plumbers in our team which enabled us to meet the full-time qualified staff requirements for admission into the Housing Authority List of Fire Services and Water Pump Contractors. Please refer to the section headed “Regulatory Overview — Licences and registrations required for the building fire services business of our Group — Registration as a registered fire service installation contractor — Undertaking contracts in the public sector” for further details about the admission and retention criteria to be met such that we could undertake contracts in the public sector and from the Housing Authority.

Relationship with employees

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

BUSINESS

Training and recruitment policies

Our Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with our Group's business development. Our Group provides employees' handbook to new employees to explain our Group's internal rules. We value our employees as our assets in which we invest our resources in order for them to make a greater contribution to our success. We have not experienced any material difficulties in recruiting new staff.

Remuneration policy

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

Our Group offers attractive remuneration package to its employees. Our Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. Our Group conducts annual review on the performance of each employee. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. The key principles of the remuneration policy are to remunerate employees in a manner that is market competitive. We regularly carry out staff evaluation to assess their performance.

PROPERTIES

As at the Latest Practicable Date, our Group leased the following properties in Hong Kong:

Properties	Term	Size	Monthly rental expenses	Usage
Unit A, 1/F., R&T Centre, 81-83 Larch Street, Kowloon, Hong Kong	From 25 October 2016 to 24 October 2018	Approximately 990 square feet	HK\$16,830	Workshop and ancillary office
Unit B&C, 1/F., R&T Centre, 81-83 Larch Street, Kowloon, Hong Kong	From 7 December 2015 to 6 December 2017	Approximately 2,009 square feet	HK\$28,126	Workshop and ancillary office
Unit A, 4/F., R&T Centre, 81-83 Larch Street, Kowloon, Hong Kong	From 31 August 2017 to 30 August 2019	Approximately 990 square feet	HK\$15,840	Workshop and ancillary office

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

Property valuation

As at the Latest Practicable Date, our Group had no single property with a carrying amount of 15% or more of our Group's total assets, and on this basis, our Group is not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our Group's interests in land or buildings.

INTELLECTUAL PROPERTY RIGHTS

Trademark

As at the Latest Practicable Date, we had registered one trademark in Hong Kong.

As at the Latest Practicable Date, save as disclosed above, we have not received any material claim against us for infringement of any trademark nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us or third parties.

Please refer to the paragraph headed "B. Further information about our business — 2. Intellectual property rights" in Appendix IV to this prospectus for further details of the registration of our trademarks and domain names.

Domain name

As at the Latest Practicable Date, our Group had registered two domain names, being kinying.com.hk and lumina.com.hk. Details of such domain names are set out in the paragraph headed "B. Further information about the business of our Group — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus.

RESEARCH AND DEVELOPMENT

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

NON-COMPLIANCE

Our Directors confirm that, save as disclosed below, our Group has complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which our Group operates) during the Track Record Period and up to the Latest Practicable Date.

Set out below are details of our Group's non-compliance incidents in respect of its business operation during the Track Record Period:

Non-compliances with the Fire Service (Installations and Equipment) Regulations

Non-compliant subsidiary	Relevant law	Particulars of the non-compliance	Reason for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Rectification action and status	Measures to prevent any future breaches and ensure on-going compliance
KY Contracting	Non-compliance with Regulation 9(3)(b) of the Fire Service (Installations and Equipment) Regulations	KY Contracting issued a Certificate of Fire Services Installations and Equipment which was false or misleading in a material particular.	On 8 March 2014, the Fire Services Department received a copy of the certificate of Fire Services Installations and Equipment issued by KY Contracting regarding its annual inspection of a property in Mong Kok, setting out therein the scope of inspection, which included, among others, a ventilation/air conditioning control system.	Pursuant to the Fire Service (Installations and Equipment) Regulations, any registered fire service installation contractor contravening Regulation 9(3)(b) of the Fire Service (Installations and Equipment) Regulations commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).	In or about August 2014, KY Contracting issued another certificate which excluded the ventilation/air condition control system in the scope of inspection therein to supersede the previous incorrect certificate.	Since January 2015, our assistant project managers or senior supervisors will cross check the contents of the draft certificates before passing the certificates to the director or authorised person for signing and submission to the Fire Services Department.
		On 6 August 2014, an officer of the Fire Services Department conducted an inspection of the said property and found that there was no such ventilation/air conditioning control system installed in the property. As such the information laid down in the certificate did not accurately reflect the actual status of the property, and was hence false and misleading.	Under Regulation 10 of the Fire Service (Installation Contractors) Regulations, where the Fire Service Installation Contractors Disciplinary Board 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.	On 27 May 2015, the Fire Service Installation Contractors Disciplinary Board made an order that the name of KY Contracting be removed from the Register of Fire Service Installation Contractors in Class 1 and 2 for a period of seven days effective from 5 to 11 October 2015.	In October 2015, we have engaged a consultancy company to improve our internal control system to the ISO standard and subsequently obtained ISO 9001:2008 certification (Quality management system of the design, supply, installation and maintenance of fire services, water pumping and plumbing system) in April 2016.	Since July 2016, we have set up policies and procedures which require our technicians and/or subcontractors to take pictures to record our work done and/or the condition of the relevant project site on a contemporaneous basis after completion of our works.
		KY Contracting admitted that the incorrect information laid down in the certificate was due to clerical error. The staff responsible for preparing the certificate at the time had mistakenly copied the information from another certificate to the subject certificate. The director of KY Contracting who signed the certificate for and on behalf of KY Contracting entrusted the preparation of the certificate to the said responsible staff, and was hence not aware of the irregularity. To prevent further occurrence of non-compliance of similar nature, we have adopted internal control measures as detailed in the column "Measures to prevent any future breaches and ensure on-going compliance" in this table.		The pictures will then be passed to our staff who are responsible for drafting or signing the certificates as required under the Fire Service (Installations and Equipment) Regulations for cross reference, before issuing the certificates. Such pictures will enable our responsible staff to ensure that the contents of the certificate reflect the actual status of the project site.	The pictures will then be passed to our staff who are responsible for drafting or signing the certificates as required under the Fire Service (Installations and Equipment) Regulations for cross reference, before issuing the certificates. Such pictures will enable our responsible staff to ensure that the contents of the certificate reflect the actual status of the project site.	Since August 2016, we have also updated our operations manual to highlight certain areas of the contents of the certificate (such as type of installations and equipment installed, inspection results, defects identified, completion date of the inspection, etc) which should be noted or paid more attention to when drafting and reviewing the aforementioned certificates.
						Since August 2016, we have also updated our operations manual to highlight certain areas of the contents of the certificate (such as type of installations and equipment installed, inspection results, defects identified, completion date of the inspection, etc) which should be noted or paid more attention to when drafting and reviewing the aforementioned certificates.
						In addition, since October 2016, we have engaged an independent consultant (the "External Consultant"), who had extensive experience and knowledge in the fire safety services industry, to, inter alia, assist in reviewing our certificates and forms for final assurance before submission to the Fire Services Department. For further details about the External Consultant engaged by us, please refer to the paragraph headed "Internal control and risk management measures" in this section below.

Non-compliant subsidiary	Relevant law	Particulars of the non-compliance	Reason for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Rectification action and status	Measures to prevent any future breaches and ensure on-going compliance
KY Contracting	Non-compliance with Regulation 9(3)(b) of the Fire Service (Installations and Equipment) Regulations	KY Contracting issued a Certificate of Fire Services Installations and Equipment which was false or misleading in a material particular.	The Fire Services Department received a Certificate of Fire Service Installations and Equipment dated 27 August 2015 issued by KY Contracting regarding its annual inspection of a shopping centre in Kowloon. According to the certificate, KY Contracting certified that the sprinkler system in the shopping centre had complied with the requirements of the Fire Services Department.	Same as above	While the property owner was responsible to rectify the non-compliance in respect of the relevant sprinklers subsequently, no rectification action is required to be taken by our Group in respect of the issuance of incorrect certificate.	In October 2015, we have engaged a consultancy company to improve our internal control system to the ISO standard and subsequently obtained ISO 9001:2008 certification (Quality management system of the design, supply, installation and maintenance of fire services, water pumping and plumbing system) in April 2016.
			Subsequently, the Fire Services Department received a complaint that certain sprinklers were obstructed. After conducting investigation, the Fire Services Department found the sprinkler system inspected by KY Contracting failed to conform with the requirements of the Fire Services Department, which rendered the certificate issued by KY Contracting false or misleading in material particulars.	The case was heard in the Kowloon City Magistrates' Courts on 23 March 2016 and KY Contracting was sentenced to a fine of HK\$3,000.	In addition, since October 2016, we have engaged an External Consultant, who had extensive experience and knowledge in the fire safety services industry, to, inter alia, assist in reviewing our certificates and forms for final assurance before submission to the Fire Services Department.	In addition to the adoption of the internal control measures as detailed in the table for the non-compliance incident in 2014 above, to ensure compliance with the requirements of the Fire Services Department, since November 2016, we have updated our internal policies and require our technicians and/or subcontractors to inspect all sprinklers and their locations, instead of random inspections, at the relevant site. To accommodate the increased workload, we will assign additional technicians to assist in the inspection, including those additional staff members whom we intended to hire as part of our business strategies and use of proceeds upon Listing.
			As confirmed by our Directors, the relevant responsible staff of KY Contracting only performed a random inspection of the sprinklers at the shopping centre and did not inspect all of the sprinklers, and no photo was taken as record for the state of the concerned sprinklers at the time of inspection. Therefore, when certain sprinklers at that shopping centre were subsequently found to have fallen below the standard as required by the Fire Services Department, our Directors were unable to demonstrate to the Fire Service Department that the concerned sprinklers were properly installed as required. After taking into consideration of (i) the remote possibility to prove ourselves without any record to support the actual state of the concerned sprinklers at the time of inspection; (ii) the potential costs and time to be incurred for legal proceedings if we decided to defend ourselves; and (iii) the limited impact of penalties that would probably be brought against KY Contracting if it pleaded guilty, KY Contracting decided to plead guilty.	Pursuant to a letter dated 19 January 2017 issued by the Fire Services Department, the Fire Service Installation Contractors Disciplinary Board made an order to remove the name of KY Contracting from the Register of Fire Service Installation Contractors in Class 1 and 2 for a period of 14 days, effective from 19 January 2017 to 1 February 2017.	For projects involving random checks completed in 2016 but prior to our Group's implementation of the new inspection practice in November 2016, we have conducted re-checks and made digital records of all relevant project sites. Based on the re-checking conducted, our Directors have not noted any unusual circumstances which may render any of the Certificates issued by our Group before November 2016 inaccurate.	Furthermore, the External Consultant we engaged since October 2016 will provide advisory services to us on our internal policy in conducting inspection on fire safety equipment and ensure that the standard adopted by us when performing the inspection of fire safety equipment are in conformance to the standards and requirements of the Fire Services Department (if applicable). For further details about the External Consultant engaged by us, please refer to the paragraph headed "Internal control and risk management measures" in this section below.

Non-compliant subsidiary	Relevant law	Particulars of the non-compliance	Reason for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Rectification action and status	Measures to prevent any future breaches and ensure on-going compliance
KY Contracting	Non-compliance with Regulation 9(3)(b) of the Fire Service (Installations and Equipment) Regulations	KY Contracting issued a Certificate of Fire Service Equipment which was alleged to be false or misleading in a material particular.	KY Contracting issued a Certificate of Fire Service Installations and Equipment on 3 October 2015 which was dated the wrong date. The mistake was an inadvertent clerical error.	Same as above	<p>In October 2015, KY Contracting subsequently issued another certificate with correct dates to supersede the previous incorrectly dated certificate.</p> <p>The investigation conducted by the Fire Services Department revealed that the case was merely negligence due to typing error and did not involve any elements of dishonesty and fraud. As a result, the Fire Services Department issued a warning letter to KY Contracting. However, no legal action was taken.</p>	<p>The approval chain leading to the issue of a certificate has been improved and updated as detailed in the table for the non-compliance incident in 2014 above. In particular, since August 2016, we have updated our operations manual to highlight certain areas of the contents of the certificates (including completion date of inspection) which should be noted or paid more attention to when drafting and reviewing the certificates.</p> <p>In addition, since October 2016, we have engaged an External Consultant, who had extensive experience and knowledge in the fire safety services industry, to, inter alia, assist in reviewing our certificates and forms for final assurance before submission to the Fire Services Department. For further details about the External Consultant engaged by us, please refer to the paragraph headed "Internal control and risk management measures" in this section below.</p>

BUSINESS

In relation to the possible adverse impact of the said non-compliance incidents on us, we were advised by the Legal Counsel that, after taking into account the background and circumstances leading to the non-compliance incidents, inter alia:

- (i) the non-compliance incidents would not adversely affect the renewal of the licences currently obtained by us. For instance, with respect to our registrations as an electrical contractor and as a registered subcontractor, the Legal Counsel advised that the non-compliance incidents did not fall within the criteria set out in the relevant ordinance or guidelines published by the relevant authorities, namely the Electricity Ordinance and the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme, that would adversely affect our renewal of the said registrations or warrant removal from the relevant register;
- (ii) with respect to our registrations as a registered fire service installation contractor (Class 1 and 2) and as a fire service installation specialist contractor under Group I of the List of Approved Specialists for Public Works which are not subject to any renewal requirement, the Legal Counsel further opined that the non-compliance incidents would not impose any material adverse impact on such registrations, for reasons as set out below:
 - (a) the non-compliance incidents did not involve any dishonesty or fraud and were not intentional; and
 - (b) the non-compliance incidents did not fall within the criteria which warrant suspension from tendering of public works and removal from the List of Approved Specialists for Public Works, such as poor site safety record or unlawful behaviors which involve corruption or fraud or breach of faith, as set out in the Development Bureau Technical Circular (Works) No. 3/2009 and the Contractor Management Handbook issued by the Development Bureau. KY Contracting is therefore (a) unlikely to be precluded from the List of Approved Specialists for Public Works; and (b) not at real risk of not being awarded public works contracts in the future; and
- (iii) the non-compliance incidents would not adversely affect our intended application for admission as a fire service installation specialist contractor under Group II of the List of Approved Specialists for Public Works and into the Housing Authority List of Fire Services and Water Pump Contractors. While the respective admission criteria with respect to the aforesaid registrations did not specifically set out any requirement on the compliance track record of the applicant, the Legal Counsel was of the view that our intended applications are unlikely to be rejected insofar as we are able to comply with the admission criteria, details of which are set out in the section headed “Regulatory Overview — Licences and registrations required for the building fire services business of our Group”. The Legal Counsel’s opinion was arrived at after considering that (A) the non-compliance incidents did not fall within the criteria which warrant list removal or suspension from tendering of contracts of Housing Authority, such as contravention of (1) the Prevention of bribery Ordinance (Chapter 201 of the Laws of Hong Kong); (2) the Immigration Ordinance (Chapter 215 of the Laws of Hong Kong); (3) ordinances relating to construction site safety; and (4) ordinances relating to environmental protection, as set out in the Guide to Registration of Works Contractors and Property Management Services Providers — Part I General Guidelines issued by the Housing Authority; and (B) the reasons set out in (ii)(b) above.

As confirmed by our Directors, save as disclosed above, (i) our Group had complied in all material respects with the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date; and (ii) no notices for any fines or penalties for any non-compliance that is material and systemic had been issued to our Group during the Track Record Period and up to the Latest Practicable Date.

Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Group to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements, payments, fines, actions, liabilities and any associated costs and expenses which may be incurred or suffered by our Group directly or indirectly, from or on the basis of or in connection with any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group occurred at any time on or before the Listing Date. This further protects our Group from any material adverse consequence due to any claims incurred on or before the Listing Date. Further details of the Deed of Indemnity are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities pursuant to the Deed of Indemnity. Our Directors, after carrying out enquiries on the facts and circumstances leading to the non-compliances, considered that the non-compliances have no material financial and operational impact on our Group.

View of our Directors and Sole Sponsor

Having considered the facts and circumstances leading to the non-compliance incidents, the opinion of the Legal Counsel on the non-compliance incidents, and the internal control measures to avoid recurrence of these non-compliances, particularly the following:

- (i) with respect to the non-compliance incident in 2014, the non-compliance incident was caused inadvertently or by mere oversight of the staff of KY Contracting. The small amount of penalty imposed and the short period of removal time of KY Contracting from the Register of Fire Service Installation Contractors indicated that the non-compliance incident in 2014 was not considered to be serious in nature by the Court or by the regulatory authority;
- (ii) with respect to the non-compliance incident in 2015, there were no prescribed inspection procedures or guidance in relation to the extent of inspection on sprinklers in the Code of Practice for Inspection, Testing and Maintenance of Installations and Equipment issued by the FSD, and Frost & Sullivan confirmed that random inspection on the sprinklers is a common practice among the fire safety service providers in Hong Kong. To the best knowledge of our Directors, there is no industry norm for the coverage for random inspection and fire services installation contractors are expected to exercise their judgment in determining the extent and procedures for the random inspection on a case-by-case basis taking into account the number of items to be checked, the locations of the building and the building structure concerned in each case. Notwithstanding that, we have already updated our internal policies which mandatorily require our Group’s technicians and/or subcontractors to inspect all sprinklers since November 2016 and to ensure full compliance with the requirements of the Fire Services Department in the future. Since September 2017, we have also implemented appropriate procedures to require our technicians and/or subcontractors to inspect all other components of fire safety systems;

- (iii) it is noted that, Mr. Fok as the sole director of KY Contracting or other Directors has never been prosecuted in respect of the non-compliance incidents, and they have never been subject to any disqualification orders of the Court as a company's director. In view of the above and provided that Mr. Fok and the other Directors can continue to satisfy the required levels of skill, care and diligence as required of a director by the laws of Hong Kong going forward, the Legal Counsel opined that none of the non-compliance incidents had suggested the lack of competence and integrity in Mr. Fok or other Directors, and hence, it is highly unlikely that the aforementioned non-compliance incidents would impinge the suitability of Mr. Fok or other Directors as a director of our Company. In addition, the Legal Counsel is of the view that the non-compliances would unlikely affect the operations, business and financial performances of our Group materially, and therefore it is unlikely for the aforementioned non-compliances to affect the suitability of our Group's Listing in these respects;
- (iv) the non-compliance incident in 2015 did not involve any dishonesty or fraud or whether it was intentional because (1) there were no prescribed inspection procedures or guidance in relation to the extent of inspection on sprinklers in the Code of Practice for Inspection, Testing and Maintenance of Installations and Equipment issued by the FSD; (2) to the best knowledge of our Directors, a fire services installation contractor would be prosecuted for any discrepancy between the fire safety systems and the description of which in the certificate, and the fact that there is a prosecution or disciplinary action will not have any implication of dishonesty or fraud on the part of the fire service installation contractor concerned; (3) taking into account the experience of our management team in the industry, they are able to exercise their judgment in determining the extent and procedures for the random inspection of sprinklers; (4) we had carried out such procedures that we believed would provide sufficient assurance in relation to the relevant sprinkler systems' conformance with the FSD's requirements; and (5) our Directors have never been personally prosecuted for having acted dishonestly or fraudulently in respect of the incident;
- (v) as soon as our Directors were made aware of the occurrence of the non-compliance incidents, they immediately proceeded to rectify the non-compliance incidents at the first opportunity to the extent applicable. In particular, we have (a) engaged the External Consultant to provide advisory service to ensure our compliance with the requirements of the Fire Services Department at all times; (b) reviewed and updated our Group's internal policy regarding conducting inspection and checking on fire safety equipment; (c) amended our policy so as to inspect all sprinklers, instead of a random inspection; and (d) for projects involving random checks completed in 2016 but prior to our Group's implementation of the new inspection practice in November 2016, conducted re-checks and made digital records of all relevant project sites. Based on the re-checking conducted, our Directors have not noted any unusual circumstances which may render any of the Certificates issued by our Group before November 2016 inaccurate;
- (vi) our Group has engaged RSM Consulting (Hong Kong) Limited as our internal control adviser to review its internal control systems and has adopted and implemented the specific enhanced internal control measures against each of its historical non-compliance incidents in order to prevent re-occurrence of those incidents in the future;
- (vii) no similar non-compliance incidents had occurred since the implementation of the enhanced internal control measures up to the Latest Practicable Date;

- (viii) the non-compliance incidents were one-off and standalone incidents and should not be taken as conclusive evidence regarding the appropriateness and/or effectiveness of our Group's inspection procedures, and hence their happening would not impugn the accuracy of other certificates issued by our Group in the past; and
- (ix) the non-compliance incidents were individually and collectively not material, and did not and will not have any significant financial and operational impact on our Group. For illustrative propose only, the total revenues attributable to the issue of compliance certificates for semi-annual and annual inspections (regardless of whether the inspection is conducted in a random or full manner) amounted to HK\$0.4 million, HK\$0.4 million and HK\$0.4 million for the years ended 31 March 2015, 2016 and 2017 respectively which were approximately 1.0%, 0.5% and 0.4% of the total revenues for the corresponding periods respectively; and their respective total operating cash flows amounted to HK\$0.2 million, HK\$0.1 million and HK\$0.1 million for the years ended 31 March 2015, 2016 and 2017 respectively;

our Directors are of the view, and the Sole Sponsor concurs with our Directors' view, that (a) when our Group issued the relevant certificate in the non-compliance incident in 2015, we verily believed that we were in a position to certify that the sprinkler system was in conformance with the FSD's requirements; (b) the non-compliance incident in 2015 did not involve any dishonesty on the part of our Directors, nor were it intentional in nature; (c) the non-compliance incidents do not have any material impact on the competence and suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules; and (d) the remedial measures implemented by our Company are adequate and effective.

LITIGATION AND CLAIMS

Claims made against our Group during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, two claims for damages had been lodged against our Group but none of which had escalated to any legal proceedings. Set out below are the details of such claims:

Name of the member of our Group	Particulars of the claim
KY Contracting	KY Contracting was engaged by the claimant to replace rusty sprinklers at the relevant property at the material time. During the course of the replacement work in March 2016, water leakage from the sprinklers occurred. The claimant alleged that several equipment inside the lift hoistway at the relevant property was water-damaged as a result thereof, and claimed against KY Contracting for HK\$107,320, being the cost charged by the elevator maintenance service provider for the repairing. The claim was reported to the insurance company of our Group for handling. As at the Latest Practicable Date, to the best knowledge and belief of the Directors, the claim has been fully settled.

BUSINESS

Name of the member of our Group

Particulars of the claim

KY Contracting

At the material time, KY Contracting was conducting construction work at the building where the business premises of the claimant were located. During the course of the construction work in April 2016, certain water pipes were broken which led to water leakage. The claimant alleged that its business premises were water-damaged as a result, and claimed against KY Contracting for damages. The claim was reported to the insurance company of our Group for handling. As at the Latest Practicable Date, to the best knowledge and belief of the Directors, the claim has been fully settled.

Save as disclosed under the section headed “Business — Litigation and claims” in this prospectus, no member of our Group or 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 Track Record Period and up to the Latest Practicable Date. Save for those potential claims set out above, no member of our Group or any of our Directors is threatened by any potential claim, litigation, arbitration, bankruptcy or receivership proceeding, which is of material importance, during the Track Record Period and as at the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

It is the responsibility of our Board to ensure that we maintain an effective internal control and risk management systems to safeguard our Shareholders’ investment and our assets at all times and to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. In order to prevent future recurrence of the non-compliance incidents and improve our corporate governance, we have adopted the following measures:

- (a) A risk and technical committee has been established on 22 September 2017 to review our risk management policies and monitor the risk to which our Group would be exposed during our course of provision of fire safety services.
- (b) We have set up internal policies which require our technicians and/or subcontractors to take pictures to record the work done and the condition of the relevant project site after completion of our fire safety services. Our Directors believe that such measure would effectively assist the responsible staff in preparing the certificate of fire services installations and equipment in an accurate manner and to ensure that the contents of the certificate reflect actual status of the project site. The pictures can also serve as evidence in the event that the contents of our certificate is alleged to be inconsistent with the actual status of the project site. In addition, we have updated our internal policy which now requires inspection of all sprinklers in a project site for the purpose of ensuring that the sprinkler system is in proper condition and their installations are up to international standard and in compliance with the requirements of the Fire Services Department. We will assign additional technicians to perform such inspection. In addition, before issuing the relevant certificate to the Fire Services Department, the External Consultant engaged by us in October 2016, as detailed below, will assist in reviewing all the certificates and forms for final assurance. We estimate that we will incur additional costs of approximately HK\$1.0 million per year for the employment/engagement of the additional technicians and the External Consultant. Our Directors consider that the new internal policy would have no other material impacts and would not materially affect the project completion time given the additional technicians are recruited to perform checking and inspection on additional locations, and such additional costs have limited impact on our cost structure and net profit margin as a whole.

BUSINESS

- (c) In order to further enhance our internal control and risk management systems and to ensure that our operations will be in full compliance with relevant rules and regulations, we have engaged a consultant since October 2016 to (i) assist in reviewing our certificates and forms for final assurance before submission to the Fire Services Department; (ii) review our project design drawings; (iii) provide technical support for on-site installation works; and (iv) provide advisory services for our operation in compliance with Fire Services Ordinance and relevant regulations. In particular, the consultant will assist in the inspection on the fire safety system, including the sprinkler systems, at the relevant project site to ensure that the standard adopted by us conforms with the requirements of the Fire Services Department (if applicable).

The consultant had extensive experience in fire safety services, and is currently one of the technical committee members of The Association of Registered Fire Service Installation Contractors of Hong Kong Limited and a professional member of the Society of Fire Protection Engineers in the US.

- (d) We engaged RSM Consulting (Hong Kong) Limited as our independent internal control adviser to review our Group's internal control systems and procedures from June to November 2016 and to review the remedial internal controls implemented related to previous non-compliance incidents. We have adopted measures and policies to enhance our internal control and risk management systems and to ensure that our operations will be in full compliance with the applicable laws and regulations.
- (e) A memorandum entitled "Overview of Duties of Directors of Companies Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited" prepared by the HK Legal Advisers, setting out, among other things, the ongoing regulatory requirements of our Directors after the Listing, had been distributed to and reviewed by our Directors in September 2016.
- (f) Our Directors and senior management had attended a training session conducted by the HK Legal Advisers in September 2016 on the on-going obligations and duties of directors of a publicly listed company, including among others, sessions on connected transactions, codes of corporate governance, dealing in securities, disclosure of inside information and notifiable transactions.
- (g) Our Company has appointed Mr. Wong Chi Wai, a Certified Public Accountant, as our financial controller and company secretary in May 2016 and September 2016 respectively, who is responsible for the financial and secretarial matters of our Group.
- (h) An audit committee has been established to review the internal control systems and procedures for compliance with the requirements of the GEM Listing Rules.
- (i) Our Company has appointed Mr. Fok as our compliance officer to ensure the compliance of our operation with the relevant laws and regulations.
- (j) Our Company has appointed CLC International as our compliance adviser to advise on compliance matters in accordance with the GEM Listing Rules.

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

Anti-fraud policy

In addition, we have in place an anti-fraud policy which contains provisions to safeguard against corruption within our Company.

According to the policy, fraudulent acts include asset misappropriation fraud, financial statement fraud and bribery etc.

Our Audit Committee shall be responsible for monitoring the enforcement of our anti-fraud policy, and shall conduct regular meetings to discuss and consider, in particular, the risk of fraud in connection with the accounting policy adopted by us and any extraordinary transactions in which our management is involved.

It is the duty for our Directors, senior management and employees to report any fraudulent act within our Company which has come to their notice. To this end, we have set up channels including an email address and letter box for our employees to report anonymously any suspected or actual fraudulent acts within our Company.

Any reported fraudulent act shall be investigated confidentially. In the event that the reported fraudulent act is verified after the investigation, the offender shall be penalised, e.g. by way of demotion or termination of employment, etc, regardless of his position or length of service in our Group. We would also review and revise our internal control policies where applicable in light of the reported fraudulent acts to prevent occurrence of similar incident in the future.

In addition to the above, we have also taken the following measures to assist in the implementation of the anti-fraud policy and to mitigate the risk of corruption within our Company:

- before entering into business relationships with new suppliers and subcontractors, we are required to conduct due diligence on their backgrounds and their connections with us, including how they were referred to us in the first place. We also regularly review our list of suppliers and subcontractors and conduct review of the pattern of our past transactions with them to look for any potential anomaly;
- we closely monitor our procurement processes. We have implemented a multi-tier approval process for the procurement of raw materials from our suppliers. Before our responsible employees could issue a purchase order to our suppliers, it must first be reviewed by our senior management team, which will then pass the purchase order to our chief executive officer, Mr. Fok, for final approval. We also require our employees to copy all their correspondences with our suppliers to our senior management team for them to monitor the negotiation process and to look for any sign of bribery or corruption;
- for procurement which involves significant amount of contract sum, we require our employees to obtain quotations from not less than three suppliers, which will then be passed to our senior management team for review and discussion;
- we have implemented a declaration of interest mechanism which requires our employees to declare their interest with the suppliers they refer to us; and
- we require all new employees to sign a declaration that they shall comply with our anti-fraud policy and shall not conduct any bribery and corruption activities.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that no Share is issued pursuant to the exercise of the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme), Mr. Fok, through Foxfire, will be interested in 71.3% of the issued share capital of our Company. In view of the aforesaid, each of Foxfire and Mr. Fok will be our Controlling Shareholder within the meaning of the GEM Listing Rules.

Save as disclosed above, there is no other person who will, immediately following completion of the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

RULE 11.04 OF THE GEM LISTING RULES

Each of the Controlling Shareholders, our Directors, the substantial Shareholders and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, which would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any other significant transactions between our Group, our Controlling Shareholders and their respective close associates upon or shortly after the Listing. Our Directors consider that our Group is capable of carrying on its business independent of and without undue reliance on the Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

Management independence

Our Company aims to establish and maintain a competent and independent Board to supervise our Group's business. The main functions of the Board include (i) approving the overall business plans and strategies of our Group; (ii) monitoring the implementation of the aforesaid policies and strategies; and (iii) managing our Group.

The Board comprises two executive Directors and three independent non-executive Directors. Although Mr. Fok, being the ultimate Controlling Shareholders, also holds directorship in our Company, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and which do not allow any conflict between his duties as a Director and his personal interests; and
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted towards the quorum.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, sales and marketing and general administration resources, with our Controlling Shareholders and/or their respective close associates.

As at the Latest Practicable Date, there were no business transactions between us and any of our Controlling Shareholders.

Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of business operations.

Financial independence

Our Group has our own financial management and accounting systems, accountant and administration department and independent treasury functions, and we make financial decision according to our own business needs.

During the Track Record Period and up to the Latest Practicable Date, Mr. Fok provided personal guarantee to a landlord for lease of office premises by our Group and personal guarantee to a bank for performance guarantee in favour of our Group's customers as security for the due performance and observance of our Group's obligations under the contracts entered into between our Group and our customers. As at the Latest Practicable Date, we also had a banking facility which amounted to HK\$4.0 million, which was secured by personal guarantees from Mr. Fok. The aforesaid guarantees will be replaced by corporate guarantee of our Company upon Listing.

Having considered the above factors, our Directors consider that we have no financial dependence on our Controlling Shareholders.

Independence of major suppliers

Our Directors and their respective close associates did not have any relationship with the top five suppliers of our Group (save for the business transactions with them in the ordinary and usual course of business of our Group) during the Track Record Period.

Independence of major customers

Our Directors and their respective close associates did not have any relationship with the top five customers of our Group (save for the business transactions with them in the ordinary and usual course of business of our Group) during the Track Record Period.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

VOLUNTARY UNDERTAKING TO EXTEND THE LOCK-UP PERIOD BY THE CONTROLLING SHAREHOLDERS

In addition to the undertakings pursuant to Rule 13.16A of the GEM Listing Rules (the “**Non-disposal undertakings**”), each of our Controlling Shareholders has further voluntarily and irrevocably undertaken to our Company that he/it will not during the 12 months period upon the expiry of the Non-disposal undertakings, among others, cease to be a controlling shareholder (within the meaning defined in the GEM Listing Rules) of our Company. Please refer to the section headed “Underwriting — Undertakings — Voluntary undertakings by the Controlling Shareholders”.

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

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) executed the Deed of Non-Competition in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries).

In accordance with the Deed of Non-Competition, each Covenantor has undertaken that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on GEM; or (ii) the date on which that Covenantor and his/its close associates (individually or taken as a whole) cease to be a Controlling Shareholder:

1. Non-competition

Each Covenantor jointly and severally and irrevocably undertakes and covenants to our Company that each of them will not, and will procure that its/his close associates (except any member of our Group) will not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on (including but not limited to (i) the design, supply and installation of fire safety systems (including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment); and (ii) the provision of repair and maintenance services on fire safety systems to satisfy the Fire Services Department’s requirements) or contemplated to be carried on by any member of our Group in anywhere or place where our Group has conducted business as at the date of the Deed of Non-Competition or may conduct business from time to time in the future (“**Restricted Business**”).

2. New business opportunity

Each of the Covenantors hereby represents and warrants that neither it/he nor any of its/his close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Business other than through our Group.

Each of the Covenantors further undertakes to refer to our Company within 10 days any and all new opportunities in connection with the Restricted Business (“**New Business Opportunity**”) which are identified by or made available to any of them.

Notwithstanding the aforesaid, the Deed of non-competition does not apply where:

1. any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Group, and that the offer should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute competition with any Restricted Business and (ii) it is in the interest of our Group and the shareholders of our Company as a whole to pursue such opportunity, and our Company has, after review by the independent non-executive Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his close associate(s), provided that the principal terms by which that Covenantor (or its/his close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company. A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company;
2. the Covenantor has interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of the relevant company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts;
or

- (b) the total number of the shares held by the Covenantors and/or their respective close associates or in which they are together interested does not exceed 5% of the issued shares of that class of the company in question (the “**Relevant Company**”), provided that (i) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholdings in the Relevant Company; and (ii) at all times there is a holder of such shareholding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and their respective close associates together hold.

3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) as required by our Company, provide all information which is necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (b) procure our Company to disclose to the public either in the annual report of our Company or through issuing a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (c) where our independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (d) during the period when the Deed of Non-Competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Deed of Non-Competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Division granting the listing of, and the permission to deal in, the Shares, as described in this prospectus; and (b) the Listing and dealings in the Shares on GEM taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group’s business independently of the Covenantors following the Listing.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Business strategies” for our business objectives and strategies.

IMPLEMENTATION PLANS

In pursuance of the above business objectives, the implementation plans of our Group are set forth below for each of the six-month periods until 30 September 2019. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraph headed “Bases and Assumptions” in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus.

From the Latest Practicable Date to 31 March 2018

Strategies	Implementation activities	Source of funding
To capture the market growth in the public sector	<ul style="list-style-type: none"> • To apply the Development Bureau for the registration as Probation to Group II of the “Fire Service Installation” category by increasing the working capital by HK\$15.0 million 	To be funded by internal resources
To capture the market growth in the public sector	<ul style="list-style-type: none"> • To recruit four project managers/ assistant project managers • To arrange and sponsor our staff to attend external trainings 	To be funded by net proceeds from the Share Offer of approximately HK\$1.2 million
To expand and increase our fire safety system installation services capacity	<ul style="list-style-type: none"> • To undertake more fire safety system installation projects with HK\$2.5 million reserved as performance bonds • To undertake more fire safety system installation projects with HK\$2.0 million for the payments of materials and subcontracting fee 	To be funded by net proceeds from the Share Offer of approximately HK\$2.5 million To be funded by net proceeds from the Share Offer of approximately HK\$2.0 million

FUTURE PLANS AND USE OF PROCEEDS

Strategies	Implementation activities	Source of funding
To provide high quality repair and maintenance services	<ul style="list-style-type: none"> • To recruit eleven technician/engineer/finance and administrative staff • To arrange and sponsor our staff to attend external trainings • To lease a new office 	<p>To be funded by net proceeds from the Share Offer of approximately HK\$1.4 million</p> <p>To be funded by net proceeds from the Share Offer of approximately HK\$0.7 million</p>
	<ul style="list-style-type: none"> • To purchase two vehicles 	<p>To be funded by net proceeds from the Share Offer of approximately HK\$1.0 million</p>
To enhance our information management systems	<ul style="list-style-type: none"> • To purchase new computer systems 	<p>To be funded by net proceeds from the Share Offer of approximately HK\$0.3 million</p>

For the six months ending 30 September 2018

Strategies	Implementation activities	Source of funding
To capture the market growth in the public sector	<ul style="list-style-type: none"> • To retain the new recruited project manager/assistant project manager • To arrange and sponsor our staff to attend external trainings 	<p>To be funded by net proceeds from the Share Offer of approximately HK\$1.2 million</p>
To expand and increase our fire safety system installation services capacity	<ul style="list-style-type: none"> • To undertake more fire safety system installation projects with HK\$5.0 million for the payments of materials and subcontracting fee 	<p>To be funded by net proceeds from the Share Offer of approximately HK\$5.0 million</p>

FUTURE PLANS AND USE OF PROCEEDS

Strategies	Implementation activities	Source of funding
To provide high quality repair and maintenance services	• To retain the new recruited technician/engineer/finance and administrative staff	To be funded by net proceeds from the Share Offer of approximately HK\$1.4 million
	• To arrange and sponsor our staff to attend external trainings	
	• To lease a new office	To be funded by net proceeds from the Share Offer of approximately HK\$0.3 million
To enhance our information management system	• To purchase new computer systems	To be funded by net proceeds from the Share Offer of approximately HK\$0.5 million

For the six months ending 31 March 2019

Strategies	Implementation activities	Source of funding
To capture the market growth in the public sector	• To retain the new recruited project manager/assistant project manager	To be funded by net proceeds from the Share Offer of approximately HK\$1.2 million
	• To arrange and sponsor our staff to attend external trainings	
	• To apply as the approved contractor of the Housing Authority	
To expand and increase our fire safety system installation services capacity	• To undertake more fire safety system installation projects with HK\$10.0 million for the payments of materials and subcontracting fee	To be funded by net proceeds from the Share Offer of approximately HK\$10.0 million
To provide high quality repair and maintenance services	• To retain the new technician/engineer/finance and administrative staff	To be funded by net proceeds from the Share Offer of approximately HK\$1.4 million
	• To arrange and sponsor our staff to attend external trainings	
	• To lease a new office	To be funded by net proceeds from the Share Offer of approximately HK\$0.3 million
To enhance our information management systems	• To purchase new computer systems	To be funded by net proceed from the Share Offer of approximately HK\$0.5 million

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2019

Strategies	Implementation activities	Source of funding
To capture the market growth in the public sector	<ul style="list-style-type: none"> • To retain the new recruited project manager/assistant project manager/finance and administrative staff • To arrange and sponsor our staff to attend external trainings 	To be funded by net proceeds from the Share Offer of approximately HK\$0.6 million
To expand and increase our fire safety system installation services capacity	<ul style="list-style-type: none"> • To undertake more fire safety system installation projects with HK\$3.0 million for the payments of materials and subcontracting fee 	To be funded by net proceeds from the Share Offer of approximately HK\$3.0 million
To provide high quality repair and maintenance services	<ul style="list-style-type: none"> • To retain the new technician/engineer/finance and administrative staff • To arrange and sponsor our staff to attend external trainings • To lease a new office 	<p>To be funded by net proceeds from the Share Offer of approximately HK\$0.9 million</p> <p>To be funded by net proceeds from the Share Offer of approximately HK\$0.1 million</p>

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:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- 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 existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material adverse changes in the bases or rates of taxation applicable to the activities of our Group;
- the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- our Group will be able to retain key staff in the management and the main operational departments;
- there will be no significant changes in our Group’s business relationships with our major customers;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE SHARE OFFER

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

Our Directors are optimistic about the fire safety industry and consider to expand and develop our Company to capture the market growth in the industry consequent to several major fire incidents in recent years, which triggered various relevant governmental authorities investigating the proper measures to improve the fire safety protocols for the industrial sectors. It will enhance the demand for fire safety systems. In addition, according to the Frost & Sullivan Report, stable growth of the number of new buildings which require the installation of fire safety systems also ensures the sustainability of our business.

As at 31 March 2017, our bank balances amounted to approximately HK\$11.3 million. We consider that the current cash position of our Group cannot meet our financial needs in light of our expansion plans set out in the paragraph headed “Implementation plans” above. As we grow and expand steadily, we intend to undertake more projects in both private and public sectors in the future, we need to reserve more capital to pay for the (i) performance bonds, which are usually required by property developers; and (ii) initial payment for our direct costs including subcontracting fees and raw materials and supplies. For details, please refer to the section headed “Business — Business strategies” in this prospectus. Our Directors have considered various fund raising options for our Group’s expansion plans, including debt financing and the Share Offer.

In the course of considering the debt financing, our Company has approached two financial institutions to obtain bank borrowings. However, given the non-listing status of our Company, none of the financial institution can offer borrowings with sufficient amounts to our Group. One of the financial institutions offered a banking facility up to HK\$4.0 million with an interest rate of 1% plus HKD Prime Rate. Furthermore, debt financing may subject our Group to lengthy due diligence review and negotiations with the banks in respect of a private company.

Based on the above, our Directors believe that the Listing will be a more suitable fund-raising means to provide our Group with readily available fund to strengthen our capital base so that our Group will be able to tender for more projects with larger contract sums after Listing. Without Listing, our Group may not grow and expand in accordance with the expansion plans as mentioned above as there are potential pressures on our Group’s cash flows.

FUTURE PLANS AND USE OF PROCEEDS

Furthermore, our Directors believe that the Listing would:

- (a) provide a platform for our Group to access to capital markets for future secondary fund raising through the issuance of shares and for debt securities, which could involve lower financing cost as opposed to interest-bearing bank loans, and which can also provide funding source to cater for our Group's further expansion plans (other than those future plans stated in this prospectus) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity;
- (b) enhance market reputation and brand awareness of our Group. Our Directors believe that having a listing status is a complimentary advertising for our Group to potential investors and customers and can enhance our corporate profile and credibility;
- (c) improve our ability to recruit, motivate and retain key management personnel as well as to expediently and effectually capitalise on any business opportunities in our Group that may arise; and
- (d) increase our bargaining power in negotiating terms with potential customers, subcontractors and suppliers. As a listed entity, customers, subcontractors and suppliers will have more confidence in (i) the quality of our services; (ii) our financial strength and credibility; (iii) transparency in operations and financial reporting; and (iv) our internal control systems to regulate and monitor our operations.

Our Group has approximately 14 years of history. Our executive Director and founder, Mr. Fok and another executive Director, Mr. Sung have served in our Group for 14 and 11 years respectively. Such a long history has demonstrated our Directors' commitment towards our Group. Our Directors believe that Listing would bring our Group to the next level, and strengthen our financial position and corporate profile. To demonstrate the long term commitment of our Controlling Shareholders to our Group, and their confidence in our Group's implementation of business expansion plan as well as future development, each of our Controlling Shareholders has given an irrevocable non-disposal undertaking to extend the lock-up period for 24 months from the Listing Date and will not during the same period, among others, cease to be a controlling shareholder (within the meaning defined in the GEM Listing Rules) of our Company.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer based on the Offer Price of HK\$0.40 per Offer Share will be approximately HK\$39.0 million, assuming that the Offer Size Adjustment Option is not exercised at all. We currently intend to apply such net proceeds in the following manner:

	From the Latest Practicable Date to 31 March 2018 <i>HK\$ million</i>	For the six months ending 30 September 2018 <i>HK\$ million</i>	For the six months ending 31 March 2019 <i>HK\$ million</i>	For the six months ending 30 September 2019 <i>HK\$ million</i>	Total <i>HK\$ million</i>
To capture the market growth in the public sector	1.2	1.2	1.2	0.6	4.2
To expand and increase our fire safety system installation services capacity	4.5	5.0	10.0	3.0	22.5
To provide high quality repair and maintenance services	3.1	1.7	1.7	1.0	7.5
To enhance our information management system	0.3	0.5	0.5	–	1.3
	<u>9.1</u>	<u>8.4</u>	<u>13.4</u>	<u>4.6</u>	<u>35.5</u>
Total	<u>9.1</u>	<u>8.4</u>	<u>13.4</u>	<u>4.6</u>	<u>35.5</u>

The net proceeds from the issue of the Offer Shares will be approximately 91.0% utilised by 30 September 2019 and approximately 9.0% will be used as working capital and funding for other general corporate purposes according to our current business plans. In the event that the Offer Price is set at the high-end or the low-end of the indicative Offer Price range, the net proceeds from the Share Offer will be increased to approximately HK\$49.1 million or decreased to approximately HK\$28.9 million, after deducting underwriting fees and estimated expenses in connection with the Share Offer payable by our Company, respectively. Our Group intends to use the net proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the high-end or low-end of the indicative Offer Price. Our Directors consider in the event that the Share Offer is priced at the low-end of the indicative Offer Price range, there would be no material impact on our proposed expansion plan, having considered our Group's internal resources and the cash flows from operation, will be sufficient to finance the future plans of our Group as scheduled up to 30 September 2019.

In the event the Offer Size Adjustment Option is exercised in full, the net proceeds from the Share Offer will increase by approximately HK\$8.6 million. Under such circumstances, we will adjust our allocation of the net proceeds in the same proportion as set out above.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong. Our Directors consider that the net proceeds from the Share Offer together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in the paragraph headed "Implementation plan" in this section of this prospectus.

Investors should be aware that any part of the business plans of our Group may or may not proceed according to the timeframe as described under the paragraph headed "Implementation plan" in this section of this prospectus due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant business plan materialises.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The Board is responsible and has general powers for management and conduct of our Group's business. The following table sets forth certain information concerning our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Mr. Fok Hau Fai (霍厚輝)	47	Chairman, chief executive officer and executive Director	Responsible for the overall strategic planning, business development and operational management of our Group; serving as the chairman of the Nomination Committee	December 2002	7 July 2016	N/A
Mr. Sung Sing Yan (宋聖恩)	56	Executive Director	Responsible for the overall operational management of our Group; serving as the member of each of the Risk and Technical Committee and Remuneration Committee	August 2005	3 September 2016	N/A
Mr. Hung Kin Sang (熊健生)	45	Independent non-executive Director	Serving as the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee; advising on corporate governance matters	22 September 2017	22 September 2017 <i>(Note)</i>	N/A
Mr. Lee Yin Sing (李彥昇)	37	Independent non-executive Director	Serving as the chairman of the Audit Committee and a member of the Nomination Committee; advising on corporate governance matters	22 September 2017	22 September 2017	N/A
Mr. Wan Chun Kwan (溫雋軍)	42	Independent non-executive Director	Serving as the member of each of the Audit Committee and the Remuneration Committee and the chairman of Risk and Technical Committee; advising on corporate governance matters.	22 September 2017	22 September 2017	N/A

Note: Mr. Hung Kin Sang was a director of KY Contracting from December 2002 to March 2005. For details, please refer to the section headed "History, Reorganisation and Corporate Structure — Establishment and development of the subsidiaries of our Company — KY Contracting" in this prospectus

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth certain information concerning our other senior management members:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Relationship with other Directors and senior management
Mr. Wong Chi Chiu (黃智超)	46	Project director	Responsible for operational management of our Group, in particular on project tendering, design, contract administration and project management; serving as a member of the Risk and Technical Committee	January 2016	N/A
Mr. Cheung Tsz Wing (張子榮)	40	Assistant project manager	Responsible for assisting our Directors on the daily operation of our repairs and maintenance department, including liaising with customers for work schedule, materials procurement and engagement with subcontractors; also oversees the safety measure and quality control of our fire safety system installation works	April 2008	N/A
Mr. Chiang Hsien Kuo (姜先國)	40	Assistant project manager	Responsible for assisting our project director on the daily operation of our Group, including preparation of tenders, managing and supervision of our fire safety system installation works	June 2009	N/A
Mr. Wong Chi Wai (黃智威)	34	Financial controller	Responsible for financial reporting, financial planning, internal control and corporate secretarial practices and procedures of our Group	May 2016	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Executive Directors

Mr. Fok Hau Fai (霍厚輝), aged 47, was appointed as our Director on 7 July 2016 and was redesignated as an executive Director and appointed as the chairman, chief executive officer and compliance officer of our Company on 3 September 2016. He is the chairman of the Nomination Committee. Mr. Fok is the founder of our Group and a director of each of KY Contracting, KY Engineering and Golden Second. Mr. Fok is responsible for our overall strategic planning, business development and operational management.

Mr. Fok obtained a diploma in mechanical engineering (computer-aided engineering) from Vocational Training Council in August 1992. He subsequently obtained a higher certificate in building services engineering and a bachelor's degree in building services engineering (fire engineering) from The Hong Kong Polytechnic University in November 1996 and November 2001 respectively.

Mr. Fok has over 20 years of experience in the fire safety service industry. Prior to establishing our Group in 2002, he was employed by New Zealand Fire Service Engineer Company Limited (a fire service engineering company in Hong Kong) from May 1993 to November 2004.

Mr. Fok was a director of the following company, which was incorporated in Hong Kong, prior to its dissolution:

Name of company	Date of dissolution	Means of dissolution
Grade Top Limited 優善有限公司	17 July 2009	Dissolved by striking off pursuant to section 291 of the Companies (WUMP) Ordinance (<i>Note</i>)

Note: Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period.

Mr. Fok has confirmed that Grade Top Limited was acquired for investment holding purpose. It was solvent and had not carried out any substantial business at the time of being struck off.

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

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Fok is the Chairman and the chief executive officer of our Company. In view of Mr. Fok being the founder of our Group and has been operating and managing KY Contracting and KY Engineering since 2002 and 2008 respectively, our Board believes that it is in the best interest of our Group to have Mr. Fok taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Sung Sing Yan (宋聖恩), aged 56, was appointed as our executive Director on 3 September 2016. He is the member of each of the Risk and Technical Committee and Remuneration Committee. Mr. Sung has been the general manager of KY Contracting since August 2005. He is in charge of the repairs and maintenance department of our Group where he is responsible for its daily operational management.

Mr. Sung has over 30 years of experience in the fire safety service industry. Mr. Sung started his career as an engineer of New Zealand Fire Service Engineer Company Limited in 1979, where he was responsible for the marketing and sales of fire equipment. Between 1981 and 1991, Mr. Sung was one of the founding partners of a company in Hong Kong which principally engaged in the sales of fire equipment but was later dissolved. In December 1989, he rejoined New Zealand Fire Service Engineer Company Limited as its manager in the engineering department and worked until July 2005. Mr. Sung received secondary school education in Hong Kong.

Independent non-executive Directors

Mr. Hung Kin Sang (熊健生), aged 45, was appointed as our independent non-executive Director on 22 September 2017. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He was a shareholder and director of KY Contracting from December 2002 to March 2005. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure — Establishment and development of the subsidiaries of our Company — KY Contracting” in this prospectus.

Mr. Hung has over 20 years of sales and marketing experience. Since 1999, Mr. Hung has been working in the Hong Kong subsidiary of a Swiss-based company specialising in the manufacture and sales of watch movements, initially as a sales manager, and a sales and marketing director from 2011 onwards. Prior to that, during the period between September 1993 and March 1999, Mr. Hung was employed by W. Haking Marketing Limited, a company which exports cameras and binoculars, where his last held position was assistant marketing manager.

Mr. Hung obtained a bachelor’s degree in business studies from City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) in November 1993.

Notwithstanding the past relationship between KY Contracting and Mr. Hung, our Directors are satisfied that Mr. Hung is suitable to act as our independent non-executive Director after considering the following factors:

- (i) before Mr. Hung’s departure from KY Contracting in March 2005, KY Contracting had not yet commenced business as a fire safety services provider;
- (ii) Mr. Hung had no shareholding in business or employment relationship with our Group for the past 12 years before his appointment as our independent non-executive Director in September 2017;
- (iii) Mr. Hung was able to satisfy the criteria of independence for an independent non-executive director stipulated in Rule 5.09 of the GEM Listing Rules; and
- (iv) all our Directors, including Mr. Hung, had attended the training session conducted by the HK Legal Advisers in September 2016, and shall have sufficient knowledge of the criteria and responsibility of an independent non-executive director of a publicly listed company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lee Yin Sing (李彥昇), aged 37, was appointed as our independent non-executive Director on 22 September 2017. He is the chairman of the Audit Committee and a member of the Nomination Committee.

Mr. Lee has over 10 years of experience in financial control, accounting and corporate governance practices and procedures in Hong Kong. Since December 2011, Mr. Lee has been the chief financial officer and company secretary of Grand Concord International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 844), where he is responsible for financial management and analysis and corporate governance matters of the group. Prior to that, between July 2009 and July 2010, he was the financial manager of Gaintle Limited, the then subsidiary of Proview International Holdings Limited (currently known as TCL Display Technology Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 334) and whose business includes development, manufacture and sales of LCD modules for mobile phones and tablets. Mr. Lee acquired auditing experience from his prior employment with an international audit firm from September 2002 to November 2007.

Mr. Lee obtained a bachelor's degree in accountancy from the City University of Hong Kong in November 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since April 2008.

Mr. Wan Chun Kwan (溫雋軍), aged 42, was appointed as our independent non-executive Director on 22 September 2017. He is a member of each of the Audit Committee and Remuneration Committee and the chairman of the Risk and Technical Committee.

Mr. Wan has 20 years of experience in the engineering industry. From October 1996 to March 1999, Mr. Wan was employed by Parsons Brinckerhoff (Asia) Limited, where his last held position was assistant engineer. During his term of service in the company, Mr. Wan was involved in, among others, the design of plumbing, drainage and fire services systems for a number of projects. Between June 1999 and February 2001, Mr. Wan was employed as assistant mechanical engineer (fire services) by Thomas Anderson & Partners (HK) Limited, where he was responsible for assisting in the design and supervision of the fire services installation in a number of projects of the company. During the period between February 2001 and April 2005, Mr. Wan was employed by Henderson Real Estate Agency Limited where his last held position was assistant project supervisor. Henderson Real Estate Agency Limited is a subsidiary of Henderson Land Development Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0012) whose businesses include property development and project management. Between April 2005 and November 2010, he worked as the electrical and mechanical services manager in the building operations department of the Hong Kong Convention & Exhibition Centre. During the period between November 2011 and October 2012, Mr. Wan was the assistant facility manager of EC Harris (Hong Kong) Limited, a company which engages in built asset consultancy and project management. From October 2012 to May 2014, Mr. Wan worked as the technical manager of New Charm Management Limited, a member of the Nan Fung Group which engages in property management. Since May 2014, Mr. Wan has been the senior manager of a company listed on the Main Board of the Stock Exchange which engages in the development and operation of hotels, gaming and integrated resort facilities in Macau.

Mr. Wan obtained a higher diploma of building services engineering from the City University of Hong Kong in December 1996. He obtained a bachelor's degree in building services engineering (fire engineering) and a master's degree in project management from The Hong Kong Polytechnic University in November 2001 and November 2010 respectively.

Mr. Wan is currently (i) a member of the Chartered Institution of Building Services Engineers in the United Kingdom; (ii) a fellow member of the Society of Operations Engineers; and (iii) a member of the Institution of Plant Engineers. He is also registered as a chartered engineer by The Engineering Council (UK).

DIRECTORS' INTEREST

Details of our Directors' emoluments (whether covered by service contracts or not), the basis of determining our Directors' emoluments and the proposed length of service as stated in service contracts are set out in the section headed "C. Further information about directors, management and staff — 1. Directors — (b) Particulars of service contracts" in Appendix IV to this prospectus.

Save as disclosed in this prospectus, each of our Directors confirmed that as at the Latest Practicable Date, he (i) did not hold any other directorships in the last three years prior to the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) did not hold other positions in our Company or other members of our Group; (iii) did not have any other relationship with any Directors, senior management, substantial shareholders or controlling shareholders of our Company nor any interests in the Shares within the meaning of Part XV of the SFO.

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

SENIOR MANAGEMENT

Mr. Wong Chi Chiu (黃智超), aged 46, has been the project director of our Group since January 2016. He is a member of the Risk and Technical Committee. Mr. Wong is primarily responsible for our operation management, in particular on project tendering, design, contract administration and project management.

Mr. Wong has about 20 years of experience in the engineering industry. Between June 1993 and February 1995, he was an engineer of an engineering consultant firm in Hong Kong, where he was responsible for electrical and engineering design. Between February 1995 and July 1996, Mr. Wong worked as an electrical engineer of a subsidiary of a can manufacturing company, where he was responsible for monitoring new factory facilities of the company. He returned to the aforementioned engineering consultant firm between July 1996 and August 2009 where his last held position was senior associate. Between August 2009 and October 2012, Mr. Wong worked as a senior building services manager of a Hong Kong subsidiary of a company listed on the Main Board of the Stock Exchange whose businesses include property investments for rental and property development. Between January 2013 and January 2016, he was a manager of the project planning department of a Hong Kong subsidiary of a company listed on the Main Board of the Stock Exchange, which engages in property development in Hong Kong and in the PRC. Since January 2014, Mr. Wong has been an independent non-executive director of Perfect Optronics Limited, a company listed on GEM (stock code: 8311) which engages in the trading of display panels and optic products.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wong obtained a bachelor's degree in electrical engineering from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1993. He later obtained a master's degree in building services engineering from The University of Hong Kong in December 2004. Mr. Wong has been admitted as (i) a Chartered Electrical Engineer and a member of the Institute of Engineering and Technology (formerly known as the Institution of Electrical Engineers) in the United Kingdom since March 1998; (ii) a Chartered Engineer (CEng) of the Engineering Council in the United Kingdom since April 1998; (iii) a registered professional engineer in the electrical discipline of the Engineers Registration Board since July 1999; (iv) a member of the Hong Kong Institution of Engineers since May 1998; and (v) a member of Chartered Institute of Plumbing and Heating Engineering (formerly known as the Institute of Plumbing) in the United Kingdom since December 2000.

Mr. Cheung Tsz Wing (張子榮), aged 40, joined our Group in April 2008 and is our assistant project manager. He is responsible for assisting our Directors on the daily operation of our repair and maintenance department, including liaising with customers for work schedule, materials procurement and engagement with subcontractors. He also oversees the safety measure and quality control of our fire safety system installation services.

Mr. Cheung started his career as a project engineer of a company in Hong Kong which mainly designs, supplies and installs roller shutters between January 2007 and April 2008. From November 2004 to November 2006, Mr. Cheung worked as a CAD draftsman of an interior decoration and buildings alterations and additions contractor in Hong Kong. From November 2006 to January 2007, Mr. Cheung worked as a project co-ordinator of a company in Hong Kong which engages in architectural and interior design. From January 2007 to April 2008, he went back to the previous company which supplies roller shutters and worked as a senior project engineer.

Mr. Cheung obtained (i) a diploma in mechanical engineering (computer-aided engineering) from the Vocational Training Council in July 1997; (ii) a higher certificate in mechanical engineering from Hong Kong Technical Colleges in July 2000; and (iii) a higher diploma in management of building services engineering from the Vocational Training Council in July 2007.

Mr. Chiang Hsien Kuo (姜先國), aged 40, joined our Group in June 2009 and is our assistant project manager. He is responsible for assisting our project director on the daily operation of our Group, including preparation of tenders, managing and supervision of our fire safety system installation services.

From January 2002 to August 2004, Mr. Chiang was employed as a sales engineer by a company in Hong Kong, whose business includes the provision of fire protection systems and solutions. He worked as an engineer assistant and draftsman in an engineering company in Hong Kong from August 2004 to April 2005. Between May 2005 and August 2005, Mr. Chiang worked as the assistant engineer of an electrical and mechanical contractor and designer in Hong Kong. During the period between September 2005 and June 2008, Mr. Chiang was the assistant engineer of a Hong Kong company which engages in engineering and buildings services across Asia. From 2008 to 2009, Mr. Chiang worked as an engineer of an engineering consultancy in Hong Kong.

Mr. Chiang obtained a higher diploma in mechanical engineering from the Vocational Training Council in July 2002 and a bachelor of engineering degree in mechanical engineering from The Hong Kong Polytechnic University in December 2007.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wong Chi Wai (黃智威), aged 34, has been the financial controller of our Group since May 2016. He was appointed our company secretary on 3 September 2016. Mr. Wong is primarily responsible for the financial reporting, financial planning, internal control and corporate secretarial practices and procedures of our Group.

From September 2015 to May 2016, Mr. Wong was the senior finance manager of a Hong Kong subsidiary of a company listed on the Main Board of the Stock Exchange which engages in the design, manufacturing, and marketing of mobile and internet products worldwide. Prior to that, Mr. Wong was (i) employed by Deloitte Touche Tohmatsu between February 2011 and September 2015 where his last held position was manager of the Audit Department; and (ii) employed by JBPB & Company (formerly known as Grant Thornton and merged with BDO Limited in January 2011) between September 2007 and February 2011 and his last position was senior associate.

Mr. Wong obtained a bachelor of business administration degree majoring in accountancy from the City University of Hong Kong in November 2007. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2012.

COMPANY SECRETARY

Mr. Wong Chi Wai is the company secretary of our Company. For his biographical information, please refer to the paragraph headed “Senior management” above in this section.

AUTHORISED REPRESENTATIVES

Mr. Fok Hau Fai and Mr. Wong Chi Wai have been appointed as the authorised representatives of our Company under Rule 5.24 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Fok Hau Fai has been appointed as the compliance officer of our Company on 3 September 2016. For his biographical information, please refer to the paragraph headed “Executive directors” above in this section.

CORPORATE GOVERNANCE

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

COMPLIANCE ADVISER

Our Company has appointed CLC International as the compliance adviser of our Company pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group 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
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing, or until the agreement is terminated, whichever is the earlier.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 22 September 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee currently consists of three members, namely Mr. Hung Kin Sang, Mr. Lee Yin Sing and Mr. Wan Chun Kwan. The chairman of our Audit Committee is Mr. Lee Yin Sing.

Remuneration Committee

Our Company established the Remuneration Committee on 22 September 2017 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee currently consists of three members, namely Mr. Sung Sing Yan, Mr. Hung Kin Sang and Mr. Wan Chun Kwan. The chairman of the Remuneration Committee is Mr. Hung Kin Sang.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Nomination Committee

Our Company established the Nomination Committee on 22 September 2017 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of three members, namely Mr. Fok, Mr. Hung Kin Sang and Mr. Lee Yin Sing. The chairman of the Nomination Committee is Mr. Fok.

Risk and Technical Committee

Our Company established the Risk and Technical Committee on 22 September 2017. The primary duties of the Risk and Technical Committee are to review our Company's risk management policies and monitor the risk exposed to our Group during our course of provision of fire safety services to our customers and our implementation of the related internal control procedures. The Risk and Technical Committee currently consists of three members, namely Mr. Sung Sing Yan, Mr. Wong Chi Chiu and Mr. Wan Chun Kwan. The chairman of the Risk and Technical Committee is Mr. Wan Chun Kwan.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of compensation paid by us for each of the financial years ended 31 March 2015, 2016 and 2017 to our Directors was approximately HK\$1,395,000, HK\$1,569,000 and HK\$1,796,000 respectively.

Save as disclosed above, no other fees, salaries, housing allowances, discretionary bonuses, other allowances and benefits in kind and contributions to pension schemes were paid by our Group to our Directors during the Track Record Period. Our Directors had not waived any emoluments during the Track Record Period.

Our executive Directors were among our Group's five highest paid individuals for each of the years ended 31 March 2015, 2016 and 2017 respectively. The emoluments paid by us to the five highest paid individuals of our Group excluding our Directors during the Track Record Period are as follows:

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,153	1,343	2,247
Performance related bonuses	126	149	273
Contribution to defined contribution pension plans	48	52	49

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

During the Track Record Period, no remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for the 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. None of our Directors waived any emoluments during the same period.

The expected annual Directors' fees and other emoluments to be paid by our Group for the financial year ending 31 March 2018 will be approximately HK\$2.1 million (excluding any discretionary bonus).

REMUNERATION POLICY

The Director's fee for each of our Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

DIRECTORS' COMPETING INTERESTS

None of our Directors and their respective close associates are interested in any business which competes or is likely to compete with that of our Group.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in the 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 are, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of Interest	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue	Percentage of interests in our Company immediately after completion of the Share Offer and the Capitalisation Issue
Mr. Fok (<i>Note</i>)	Interest in a controlled corporation	427,500,000 Shares	71.3%
Foxfire (<i>Note</i>)	Beneficial owner	427,500,000 Shares	71.3%

Note: Foxfire is a registered owner holding approximately 71.3% shareholding interest in our Company. The entire issued share capital of Foxfire is owned by Mr. Fok. Under the SFO, Mr. Fok is deemed to be interested in all the Shares registered in the name of Foxfire.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), have an interest or short position in the 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 are, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SHARE CAPITAL

SHARE CAPITAL

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

<i>Authorised share capital</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares of par value HK\$0.01 each	<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid</i>	
100 Shares in issue as at the date of this prospectus	1
449,999,900 Shares to be issued pursuant to the Capitalisation Issue	4,499,999
<u>150,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,500,000</u>
Total Shares issued and to be issued upon completion of the Capitalisation Issue and the Share Offer	<u>6,000,000</u>
<u>600,000,000</u>	

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

Assuming the Offer Size Adjustment Option is exercised in full, then 22,500,000 additional Shares will be issued. In such circumstances, the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer will be HK\$6,225,000 divided into 622,500,000 Shares.

MINIMUM PUBLIC FLOAT

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

RANKING

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

SHARE CAPITAL

Except as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 22 September 2017. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

CAPITALISATION ISSUE

Pursuant to the written resolutions of the Shareholders passed on 22 September 2017, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to allot and issue a total of 449,999,900 Shares credited as fully paid at par to the holders of Shares on the register of members or the principal share register of our Company at the close of business on 22 September 2017 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of Capitalisation of the sum of HK\$4,499,999 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue).

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate number of not exceeding 20% of the number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme) and the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Schemes or any other option scheme or similar arrangement for the time being adopted.

This mandate shall remain in effect until whichever is 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 to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the allotment and issue of Shares, please refer to the paragraph headed “Statutory and General Information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of the Shareholders” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not more than 10% of the aggregate number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Statutory and General Information — A. Further information about our Company and our subsidiaries — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

This mandate shall remain in effect until whichever is 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 to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, please refer to the paragraph headed “Statutory and General Information — A. Further Information about our Company and our subsidiaries — 3. Written resolutions of the Shareholders” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital; (ii) consolidate or divide its share capital into Shares of larger or smaller amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital by its shareholders passing a special resolution. For details, see “2. Articles of Association — 2.1.3 Alteration of capital” in Appendix III to this prospectus. Pursuant to and subject to the Companies Law and the terms of the Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For a summary, see “2. Articles of Association — 2.1.2 Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information have been prepared in accordance with the Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards, amendments and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

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

OVERVIEW

We are an established fire safety services provider in Hong Kong, focusing on building fire safety. Our services cover the design, supply and installation of fire safety systems including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment for newly built and existing buildings in Hong Kong. We also provide repair and maintenance services on fire safety systems to satisfy Fire Services Department's requirements. To supplement our repair and maintenance services, we also supply our customers with fire equipment.

During the Track Record Period, our revenue was approximately HK\$46.1 million, HK\$74.8 million and HK\$91.5 million for the years ended 31 March 2015, 2016 and 2017, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016. In preparation of the Listing, the companies comprising our Group underwent the Reorganisation which is explained in the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

Upon completion of the Reorganisation, our Company became the holding company of the companies now comprising our Group. The companies now comprising our Group were under common control of the ultimate Controlling Shareholder, Mr. Fok, before and after the Reorganisation. Accordingly, the financial information of our Group has been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where it is a shorter period.

FINANCIAL INFORMATION

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed “Risk Factors” of this prospectus and those set out below.

Market demand of our fire safety services in Hong Kong

Our revenue is mainly derived from projects which are not recurring in nature and are affected by various factors, including but not limited to the number of newly completed buildings and improvement of existing buildings, changes in government policies relating to building fire safety and general economic conditions in Hong Kong. Unfavourable changes in these factors may result in a significant decrease in the number of fire safety service projects available in Hong Kong in general and there is no assurance that the number of projects in Hong Kong will not decrease in the future. Any significant fluctuation in the market demand of fire safety services in Hong Kong may materially affect our business volume and therefore the results of operations and financial condition.

Pricing of projects

A majority of our revenue during the Track Record Period were derived from the fire safety system installation projects, which are generally obtained by means of tender. The tender price of the projects is based on the estimated project costs plus a mark-up margin. From time to time, we may adjust the mark-up margin to maintain our competitiveness which in turn will affect our profitability.

Collectability and timing of collection of our trade receivables and retention receivables

Our Group receives monthly progress payment or stage payment with reference to the value of the works completed. Generally, the value of the works completed is assessed by the customer who will verify our Group’s progress claims, and our Group would subsequently issue an invoice for the amount of works completed. Our customers normally retain 5% to 10% of the value of works certified in each payment as retention monies, which will be released at the end of the defect liability period, which is generally 12 months from the date of the practical completion certificate issued or when we have issued a Certificate of Fire Service Installations and Equipment. There can be no assurance that such retention monies will be released to our Group on a timely basis.

As at 31 March 2017, the trade receivables and unbilled retention receivables are approximately HK\$11.6 million and HK\$4.4 million, respectively. Any failure by the customers to make payments to our Group on time and in full may have an adverse impact on the liquidity and financial position of our Group.

FINANCIAL INFORMATION

Costs and availability of engineering staff in Hong Kong

We rely on the skills, expertise and experience of our employees to provide quality services to our customers. As such, our Directors consider that our in-house engineering team is crucial to our day-to-day operations and the continuing success. The costs of engineering staff may be affected by the demand and supply of engineers in Hong Kong as well as other economic factors such as inflation rate and general standard of living. There is no guarantee that the supply of engineers in Hong Kong will remain stable. Any significant increase or decrease in the overall supply of or demand for engineers in Hong Kong may materially affect the costs of our operations and the quality of services. In the event that we fail to retain our existing engineering staff and/or recruit sufficient and capable engineering staff in a timely manner for the existing or future projects and/or there is a significant increase in the engineering staff costs, our operations and profitability may be materially and adversely affected.

Costs and performance of subcontractors

During the Track Record Period, we subcontracted various parts of our projects to our subcontractors in Hong Kong and hence we did not maintain substantial direct labours for the execution of works. There is no assurance that we are able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. If a subcontractor fails to carry out works as required under a contract, we may be required to subcontract these work on a delayed basis or at a higher price than planned, which could impact our profitability. In addition, there is no assurance that we will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may also be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain significant accounting policies that are critical to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 3 “Significant accounting policies” of the Accountants’ Report in Appendix I to this prospectus.

Below is a summary of certain significant accounting policies and estimates that our Group believe are important to the presentation of its financial results and positions.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from engineering service contracts is based on the stage of completion at the end of each reporting period. Our Group’s policy for recognition of revenue from engineering services is described in the accounting policy for engineering service contracts below.

Service income is recognised when the services are provided.

FINANCIAL INFORMATION

Impairment on trade receivables

Our Directors regularly assess the collectability of our trade receivables on a case-by-case basis to determine if any provision for trade receivables is necessary. Our Director's assessment is based on, among other things, the evaluation of collectability, ageing analysis of the receivables, the ultimate realisation of these outstandings, the customer's current creditworthiness, its past payment history and our Group's current and potential future business relationship with such customer. If the financial conditions of any of our Group's customers deteriorate, resulting in an impairment of their ability to make payments, provision for trade receivables may be required. During the Track Record Period, allowance for bad and doubtful debts on trade receivables of approximately HK\$160,000, HK\$226,000 and HK\$125,000 were recognised for the years ended 31 March 2015, 2016 and 2017, respectively.

For other significant accounting policies and estimates, which was applied in the preparation of our Group's consolidated financial statements, in relation to the property and equipment, lease and engineering service contracts, please refer to Note 3 of the Accountants' Report in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table sets out the consolidated results of our Group for the years ended 31 March 2015, 2016 and 2017, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountants' Report in Appendix I to this prospectus.

Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	46,100	74,772	91,525
Direct costs	<u>(28,689)</u>	<u>(49,241)</u>	<u>61,685</u>
Gross profit	17,411	25,531	29,840
Bank interest income	–	1	1
Other losses	(160)	(226)	(55)
Administrative expenses	(2,665)	(3,446)	(5,750)
Listing expenses	–	–	7,435
Finance cost	<u>–</u>	<u>–</u>	<u>(19)</u>
Profit before taxation	14,586	21,860	16,582
Income tax expense	<u>(2,395)</u>	<u>(3,652)</u>	<u>(4,012)</u>
Profit and total comprehensive income for the year	<u><u>12,191</u></u>	<u><u>18,208</u></u>	<u><u>12,570</u></u>

FINANCIAL INFORMATION

Revenue

Our revenue was generated from the provision of fire safety system installation services and repair and maintenance services. We have generated revenue from 842, 647 and 753 fire safety system installation projects for the years ended 31 March 2015, 2016 and 2017 respectively, of which 12, 17 and 23 projects were new building projects respectively, and the contract value for those projects was relatively higher than existing building projects given that the project scale was generally larger and hence, involved more time and resources. The average revenue recognised per new building projects were approximately HK\$0.6 million, HK\$1.4 million and HK\$1.3 million respectively. The following table sets out our revenue by segment during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	% HK\$'000	HK\$'000	% HK\$'000	HK\$'000	%
Fire safety system installation						
New buildings	6,628	14.4	23,424	31.3	30,368	33.2
Existing buildings	<u>30,462</u>	<u>66.1</u>	<u>43,605</u>	<u>58.3</u>	<u>53,867</u>	<u>58.8</u>
Sub-total	<u>37,090</u>	<u>80.5</u>	<u>67,029</u>	<u>89.6</u>	<u>84,235</u>	<u>92.0</u>
Repair and maintenance	<u>9,010</u>	<u>19.5</u>	<u>7,743</u>	<u>10.4</u>	<u>7,290</u>	<u>8.0</u>
Total	<u><u>46,100</u></u>	<u><u>100.0</u></u>	<u><u>74,772</u></u>	<u><u>100.0</u></u>	<u><u>91,525</u></u>	<u><u>100.0</u></u>

The following table sets forth the revenue recognised by customer type during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	% HK\$'000	HK\$'000	% HK\$'000	HK\$'000	%
Private Sector	44,931	97.5	73,731	98.6	90,479	98.9
Owner and tenants	17,383	37.7	17,133	22.9	21,935	24.0
Property managers	10,838	23.5	11,183	15.0	12,453	13.6
Construction Contractors (<i>Note</i>)						
– As a domestic subcontractor	14,028	30.5	40,674	54.4	49,844	54.5
– As a nominated subcontractor	2,682	5.8	4,741	6.3	6,247	6.8
Public Sector	1,169	2.5	1,041	1.4	1,046	1.1
Governmental-related organisations	599	1.3	451	0.6	403	0.4
Non-governmental organisations	<u>570</u>	<u>1.2</u>	<u>590</u>	<u>0.8</u>	<u>643</u>	<u>0.7</u>
	<u><u>46,100</u></u>	<u><u>100.0</u></u>	<u><u>74,772</u></u>	<u><u>100.0</u></u>	<u><u>91,525</u></u>	<u><u>100.0</u></u>

Note: Our Group acts as a domestic subcontractor for projects when engaged by the construction contractors and as a nominated subcontractor for projects when engaged by the main contractor through the nomination of the ultimate owners of the projects, such as property developers or owners.

FINANCIAL INFORMATION

During the Track Record Period, approximately 97.5%, 98.6% and 98.9% of our revenue respectively generated from private sector works. The revenue contributed by works for owner and tenants accounted for approximately HK\$17.4 million, HK\$17.1 million and HK\$21.9 million respectively, which accounted for approximately 37.7%, 22.9% and 24.0% of our total revenue for the corresponding period, respectively. The revenue contributed by works for property managers accounted for approximately HK\$10.8 million, HK\$11.2 million and HK\$12.5 million respectively, which accounted for approximately 23.5%, 15.0% and 13.6% of our total revenue for the corresponding period, respectively.

We plan to advance our capability in order to capture the market growth in the public sector. For details, please refer to the section headed “Business — Business strategies” in this prospectus.

Direct costs

Our direct costs primarily represent costs directly associated with the provision of our fire safety services. The following table sets out the breakdown of our direct costs during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Material and equipment costs	6,296	21.9	12,496	25.4	12,685	20.6
Subcontracting fees	16,063	56.0	30,173	61.3	40,305	65.3
Direct labour costs	4,467	15.6	5,163	10.5	7,095	11.5
Other costs	1,863	6.5	1,409	2.8	1,600	2.6
Total	<u>28,689</u>	<u>100.0</u>	<u>49,241</u>	<u>100.0</u>	<u>61,685</u>	<u>100.0</u>

Material and equipment costs

Material and equipment costs represent the purchases of materials and equipment being installed in our fire safety services projects. We normally provide our subcontractors with necessary materials and equipment for installation in our projects. For the years ended 31 March 2015, 2016 and 2017, material and equipment costs amounted to approximately HK\$6.3 million, HK\$12.5 million and HK\$12.7 million, representing approximately 21.9%, 25.4% and 20.6% of our direct costs, respectively.

Given that the materials and equipment being installed are usually delivered by our suppliers directly to our project sites for immediate consumption and only insignificant amount of inventory is kept in our project sites due to the limitation of the storage in the field work, our Group did not have significant amount of uninstalled materials as at 31 March 2015, 2016 and 2017. Thus, the financial impact of the uninstalled materials in the application of HKFRS 15 will be considered as insignificant.

FINANCIAL INFORMATION

Subcontracting fees

Subcontracting fees represent the fees paid and payable to subcontractors who carry out installation works on evacuation and electrical fire alarm systems, and water and gas suppression systems in our projects. For the years ended 31 March 2015, 2016 and 2017, subcontracting fees amounted to approximately HK\$16.1 million, HK\$30.2 million and HK\$40.3 million, representing approximately 56.0%, 61.3% and 65.3% of our direct costs, respectively.

Direct labour costs

Direct labour costs represent compensation and benefits provided to the in-house staff who are directly involved in the provision of our services. For the years ended 31 March 2015, 2016 and 2017, direct labour costs amounted to approximately HK\$4.5 million, HK\$5.2 million and HK\$7.1 million, representing approximately 15.6%, 10.5% and 11.5% of our direct costs, respectively.

Other costs

Other costs represents miscellaneous costs incurred in performing our services, such as scaffolding and employees' compensation insurance for our staff. For the years ended 31 March 2015, 2016 and 2017, other costs amounted to approximately HK\$1.9 million, HK\$1.4 million and HK\$1.6 million, representing approximately 6.5%, 2.8% and 2.6% of our direct costs, respectively.

Sensitivity analyses

The following sensitivity analysis of estimated increase/decrease of our net profit illustrates the impact of hypothetical fluctuations in the material and equipment costs and subcontracting fees assuming all other variables remain constant for the years indicated:

Hypothetical fluctuations of our material and equipment costs

	<i>+/-5%</i> <i>HK\$'000</i>	<i>+/-10%</i> <i>HK\$'000</i>	<i>+/-15%</i> <i>HK\$'000</i>
Increase/decrease in material and equipment costs			
Year ended 31 March 2015	+/-315	+/-630	+/-944
Year ended 31 March 2016	+/-625	+/-1,250	+/-1,874
Year ended 31 March 2017	+/-634	+/-1,269	+/-1,903
Decrease/increase in net profit			
Year ended 31 March 2015	+/-263	+/-526	+/-789
Year ended 31 March 2016	+/-522	+/-1,043	+/-1,565
Year ended 31 March 2017	+/-530	+/-1,059	+/-1,589

FINANCIAL INFORMATION

Hypothetical fluctuations of our subcontracting fees

	+/-5% HK\$'000	+/-10% HK\$'000	+/-15% HK\$'000
Increase/decrease in subcontracting fees			
Year ended 31 March 2015	+/-803	+/-1,606	+/-2,409
Year ended 31 March 2016	+/-1,509	+/-3,017	+/-4,526
Year ended 31 March 2017	+/-2,015	+/-4,031	+/-6,046
Decrease/increase in net profit			
Year ended 31 March 2015	+/-671	+/-1,341	+/-2,012
Year ended 31 March 2016	+/-1,260	+/-2,519	+/-3,779
Year ended 31 March 2017	+/-1,683	+/-3,365	+/-5,048

Gross profit margin

The following table sets out our gross profit and gross profit margin during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Fire safety system installation	12,960	34.9	22,950	34.2	28,023	33.3
– <i>New buildings</i>	1,675	25.3	7,342	31.3	9,649	31.8
– <i>Existing buildings</i>	11,285	37.0	15,608	35.8	18,374	34.1
Repair and maintenance	4,451	49.4	2,581	33.3	1,817	24.9
	<u>17,411</u>	37.8	<u>25,531</u>	34.1	<u>29,840</u>	32.6

Our gross profits were approximately HK\$17.4 million, HK\$25.5 million and HK\$29.8 million for the years ended 31 March 2015, 2016 and 2017 respectively. Our gross profit margins were approximately 37.8%, 34.1% and 32.6% for the same period, respectively.

Other losses

The other losses incurred by our Group during the Track Record Period comprise the allowance provided for bad and doubtful debts on trade receivables. For details, please refer to the paragraph headed “Analysis of selected consolidated statements of financial position items — Trade receivables” in this section.

FINANCIAL INFORMATION

Administrative expenses

The following table sets out our administrative expenses by nature during the Track Record Period:

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs, including directors' remuneration	1,226	1,791	3,600
Rent and rates	443	570	725
Motor vehicle expenses	164	101	136
Insurance	159	164	209
Depreciation	141	146	161
Traveling expense	134	121	135
Printing and stationery	81	97	134
Auditor's remuneration	35	20	22
Other expenses	282	436	628
	282	436	628
Total	2,665	3,446	5,750

The administrative expenses comprise:

- (i) staff costs, which represent director's remuneration and salaries and benefits provided to our Directors and administrative staff;
- (ii) rent and rates, which represent the occupancy cost of our office and certain rented equipment;
- (iii) motor vehicle expenses, which mainly represents the fuel costs incurred;
- (iv) insurance expenses, which comprises fees paid for employees' compensation insurance, contractors' all risk insurance and office protection package insurance;
- (v) depreciation, which is the depreciation expense of our Group's leasehold improvements, furniture, fixture and equipment, and motor vehicles;
- (vi) traveling expense, which represents expenses for traveling incurred by the administrative staff;
- (vii) printing and stationery expenses, which mainly represent the cost of stationery items which are used daily in offices and printing material for correspondence purposes;
- (viii) auditor's remuneration, which are fees to the auditors; and
- (ix) other expenses mainly represent our expenses on telephone, entertainment and utilities.

FINANCIAL INFORMATION

Listing expenses

Listing expenses represent professional fees, underwriting commission and fees, incurred in connection with our Company's Listing. Assuming the Offer Size Adjustment Option is not exercised and assuming the Offer Price is fixed at HK\$0.40 per Offer Share, being the mid-point of the indicative Offer Price range, we expect that our total listing expenses, which are non-recurring in nature, will amount to approximately HK\$21.0 million, of which approximately HK\$6.0 million is directly attributable to the issue of new Offer Shares and to be accounted for as a deduction from equity in the year ending 31 March 2018 following completion of the Share Offer. Approximately HK\$7.4 million has been recognised and charged to the profit or loss account during the year ended 31 March 2017. The remaining estimated listing expenses of approximately HK\$7.6 million will be charged to the profit or loss account upon Listing.

The listing expenses mentioned above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. Our results of operations for the year ending 31 March 2018 is expected to be adversely affected by the non-recurring listing expenses in connection with the Listing.

Income tax

Our Group's revenue during the Track Record Period was derived in Hong Kong and, therefore, our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for the years ended 31 March 2015, 2016 and 2017 were approximately 16.4%, 16.7% and 24.2% respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2016 compared with year ended 31 March 2017

Revenue

Our Group's revenue increased by approximately HK\$16.7 million or 22.4%, from approximately HK\$74.8 million for the year ended 31 March 2016 to HK\$91.5 million for the year ended 31 March 2017. Such increase was mainly attributable to growth in revenue recognised from contracts obtained through tender. Our Directors believe that our track record gave us a good reputation in the fire safety industry which helped us stand a better chance in securing projects of greater contract value during the year ended 31 March 2017.

New building projects

The number of projects with revenue contribution for new buildings increased from 17 projects for the year ended 31 March 2016 to 23 projects for the year ended 31 March 2017, while the average revenue recognised per project decreased slightly from approximately HK\$1.4 million for the year ended 31 March 2016 to approximately HK\$1.3 million for the year ended 31 March 2017.

FINANCIAL INFORMATION

Existing building projects

The number of projects with revenue contribution for existing buildings increased from 630 projects for the year ended 31 March 2016 to 730 projects for the year ended 31 March 2017, while the average revenue recognised per projects increased slightly from approximately HK\$69,000 for the year ended 31 March 2016 to approximately HK\$74,000 for the year ended 31 March 2017.

Direct costs

Our Group's direct costs increased by approximately HK\$12.4 million, or 25.3%, from approximately HK\$49.2 million for the year ended 31 March 2016 to HK\$61.7 million for the year ended 31 March 2017. Such increase was primarily driven by the increase in subcontracting fees consequential to the increase in our revenue for the year ended 31 March 2017 compared with the year ended 31 March 2016.

Gross profit and gross profit margin

Our Group's gross profit increased by approximately HK\$4.3 million, or 16.9%, from approximately HK\$25.5 million for the year ended 31 March 2016 to approximately HK\$29.8 million for the year ended 31 March 2017. Such increase in gross profit is generally in line with our revenue.

Our gross profit margin for fire safety system installation services slightly decreased from 34.2% for the year ended 31 March 2016 to 33.3% for the year ended 31 March 2017, which was mainly attributable to the increase in revenue contribution from new building projects, which generally have a lower gross profit margin.

Our gross profit margin for repair and maintenance services decreased from 33.3% for the year ended 31 March 2016 to 24.9% for the year ended 31 March 2017, which was mainly attributable to the additional involvement of subcontractors for the year ended 31 March 2017. Since our business for fire safety system installation grew for the year ended 31 March 2017 and we allocated our own workforce to work on the fire safety system installation projects, a larger portion of the repair and maintenance works were subcontracted to our subcontractors, increasing our subcontracting fee for the year.

Administrative expenses

Our Group's administrative expenses increased by approximately HK\$2.3 million, or 66.9%, from approximately HK\$3.4 million for the year ended 31 March 2016 to approximately HK\$5.7 million for the year ended 31 March 2017. Such increase was mainly attributable to the increase in headcounts of the finance and administration department.

Listing expenses

Listing expenses were nil for the year ended 31 March 2016 as compared with HK\$7.4 million for the year ended 31 March 2017.

FINANCIAL INFORMATION

Income tax expense

For the years ended 31 March 2016 and 2017, the effective tax rate of our Group were approximately 16.7% and 24.2%, respectively. The increase in the effective tax rate was mainly due to non-tax deductible listing expenses of approximately HK\$7.4 million incurred for the year ended 31 March 2017.

Profit for the period and net profit margin

As a result of the foregoing, our Group's profit for the year decreased by approximately HK\$5.6 million, or 31.0%, from approximately HK\$18.2 million for the year ended 31 March 2016 to approximately HK\$12.6 million for the year ended 31 March 2017. Our net profit margin decreased from 24.4% for the year ended 31 March 2016 to 13.7% for the year ended 31 March 2017. The decrease in net profit margin was mainly attributable to (i) the slight decrease in gross profit margin; (ii) the increase in administrative expenses incurred; and (iii) the listing expenses incurred for the year ended 31 March 2017.

Year ended 31 March 2015 compared with year ended 31 March 2016

Revenue

Our Group's revenue increased by approximately HK\$28.7 million or 62.2%, from approximately HK\$46.1 million for the year ended 31 March 2015 to HK\$74.8 million for the year ended 31 March 2016. Such increase was mainly attributable to growth in revenue recognised from contracts obtained through tender. Our Directors believe that our track record gave us a good reputation in the fire safety industry which helped us stand a better chance in bidding projects of larger contract value secured in the year ended 31 March 2016, and the growth in market size of fire safety market in Hong Kong also contributed to our Group's revenue growth. According to the Frost & Sullivan Report, the gross value of fire safety market increased by 12.3%, from HK\$10.6 billion in year 2014 to HK\$11.9 billion in year 2015, driven by expediting of land planning and development, increasing the number of new housing units and commercial buildings, as well as the demand for fire safety service.

New building projects

The number of projects with revenue contribution for new buildings increased from 12 projects for the year ended 31 March 2015 to 17 projects for the year ended 31 March 2016, while the average revenue recognised per project also increased significantly from approximately HK\$0.6 million during the year ended 31 March 2015 to approximately HK\$1.4 million during the year ended 31 March 2016.

Existing building projects

Despite the number of projects with revenue contribution for existing buildings decreased from 830 projects for the year ended 31 March 2015 to 630 projects for the year ended 31 March 2016, the average revenue recognised per project increased significantly from approximately HK\$37,000 during the year ended 31 March 2015 to approximately HK\$69,000 during the year ended 31 March 2016.

FINANCIAL INFORMATION

Direct costs

Our Group's direct costs increased by approximately HK\$20.5 million, or 71.6%, from approximately HK\$28.7 million for the year ended 31 March 2015 to HK\$49.2 million for the year ended 31 March 2016. Such increase was primarily driven by (i) the increase in material and equipment costs and subcontracting fees consequential to the increase in our revenue for the year ended 31 March 2016 compared with the year ended 31 March 2015; and (ii) the additional involvement of subcontractors in the provision of services to Customer L for the year ended 31 March 2016.

Gross profit and gross profit margin

Our Group's gross profit increased by approximately HK\$8.1 million, or 46.6%, from approximately HK\$ 17.4 million for the year ended 31 March 2015 to approximately HK\$25.5 million for the year ended 31 March 2016. Such increase in gross profit is generally in line with our revenue growth.

Our gross profit margin for fire safety system installation services remains relatively stable for the two years ended 31 March 2016 .

Our gross profit margin for repair and maintenance services decreased from 49.4% for the year ended 31 March 2015 to 33.3% for the year ended 31 March 2016, which was mainly attributable to the additional involvement of subcontractors in the provision of repair and maintenance services to Customer L for the year ended 31 March 2016. Since our business for fire safety system installation substantially grew for the year ended 31 March 2016 and we allocated our own workforce to work on the fire safety system installation projects, a larger portion of the repair and maintenance works from Customer L were subcontracted to our subcontractors, increasing our subcontracting fees for the year.

Administrative expenses

Our Group's administrative expenses increased by approximately HK\$0.7 million, or 29.3%, from approximately HK\$2.7 million for the year ended 31 March 2015 to approximately HK\$3.4 million for the year ended 31 March 2016. Our staff costs increased by approximately HK\$0.6 million from approximately HK\$1.2 million for the year ended 31 March 2015 to approximately HK\$1.8 million for the year ended 31 March 2016 mainly due to the increase in headcounts of the finance and administration department.

Income tax expense

For the years ended 31 March 2015 and 2016, the effective tax rate of our Group remained stable at approximately 16.4% and 16.7%, respectively, which were comparable to the statutory tax rate in Hong Kong of 16.5%.

Profit for the year and net profit margin

As a result of the foregoing, our Group's profit for the year increased by approximately HK\$6.0 million, or 49.4%, from approximately HK\$12.2 million for the year ended 31 March 2015 to approximately HK\$18.2 million for the year ended 31 March 2016.

Our net profit margin decreased slightly from approximately 26.4% for the year ended 31 March 2015 to approximately 24.4% for the year ended 31 March 2016, which was in line with the decline in gross profit margin.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements principally through a combination of shareholder's equity and internally generated cash flows. Our Directors believe that in the long term, our operations will be funded by internally generated cash flows and, if necessary, additional equity financing.

Cash flows

The following table sets forth our Group's cash flows for the years indicated:

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flow before movements in working capital	14,887	22,231	16,816
Net cash from operating activities	14,213	17,065	9,101
Net cash used in investing activities	(147)	(103)	(1,285)
Net cash used in financing activities	(3,799)	(22,771)	(2,709)
Net increase/(decrease) in cash and cash equivalents	10,267	(5,809)	5,107
Cash and cash equivalents at beginning of the year	1,711	11,978	6,169
Cash and cash equivalents at end of the year	11,978	6,169	11,276

Operating activities

During the Track Record Period, we derived our cash inflow from operating activities mainly from the receipt of payments from customers and the primary sources of cash outflow from operating activities include staff cost and payments to subcontractors and suppliers.

For the year ended 31 March 2015, our Group had net cash generated from operating activities of approximately HK\$14.2 million, mainly as a result of operating cash flows of approximately HK\$14.9 million before net negative changes in working capital of approximately HK\$0.4 million and tax paid of approximately HK\$0.3 million. The net negative changes in working capital primarily consisted of combined effects of (i) the decrease in net amounts due from customers for contract work of approximately HK\$0.1 million; (ii) the increase in other payables and accrued charges of approximately HK\$0.1 million; and offset by (iii) the decrease in trade payables of approximately HK\$0.6 million.

For the year ended 31 March 2016, our Group had net cash generated from operating activities of approximately HK\$17.1 million, mainly as a result of operating cash flows of approximately HK\$22.2 million before net negative changes in working capital of approximately HK\$1.4 million and tax paid of approximately HK\$3.8 million. The net negative changes in working capital primarily consisted of combined effects of (i) the increase in net amount due from customers for contract work of approximately HK\$0.6 million; (ii) the increase in trade receivables of approximately HK\$3.6 million; and partially

FINANCIAL INFORMATION

offset by (iii) the increase in trade payables of approximately HK\$1.2 million; and (iv) the increase in other payables and accrued charges of approximately HK\$1.5 million. Such changes were in line with the increase of our scale of business for the year ended 31 March 2016.

For the year ended 31 March 2017, our Group had net cash generated from operating activities of approximately HK\$9.1 million, mainly as a result of operating cash flow of approximately HK\$16.8 million before net negative changes in working capital of approximately HK\$3.4 million and tax paid of approximately HK\$4.3 million. The net negative changes in working capital primarily consisted of combined effects of (i) the increase in net amount due from customers for contract work of approximately HK\$2.4 million; (ii) the increase in trade receivables of approximately HK\$1.8 million; (iii) the decrease in other payables and accrued charges of approximately HK\$0.6 million; (iv) the increase in deposits and prepayments of approximately HK\$2.5 million; and partially offset by (v) the increase in trade payables of approximately HK\$3.9 million which is consequential to the further expansion of our scale of business for the year ended 31 March 2017.

Investing activities

During the Track Record Period, we derived our cash outflow used in investing activities mainly from advance to a director.

For the year ended 31 March 2015, we had a net cash used in investing activities of approximately HK\$0.1 million, which mainly represents purchases of property and equipment.

For the year ended 31 March 2016, we had a net cash used in investing activities of approximately HK\$0.1 million, primarily as a result of advance to a director of HK\$8.0 million and purchase of property and equipment of approximately HK\$0.1 million, which was partly offset by repayment from a director of HK\$8.0 million.

For the year ended 31 March 2017, we had a net cash used in investing activities of approximately HK\$1.3 million, which mainly represents the placement of pledged bank deposits and purchase of property and equipment.

Financing activities

During the Track Record Period, we derived our cash outflow used in financing activities mainly from dividend paid, advance from or repayment to a director.

For the year ended 31 March 2015, we had a net cash used in financing activities of approximately HK\$3.8 million, which was mainly due to the dividend paid of approximately HK\$2.7 million and the repayment to a director of approximately HK\$4.1 million, which is partly offset by the advance from a director of approximately HK\$3.0 million.

For the year ended 31 March 2016, we had a net cash used in financing activities of approximately HK\$22.8 million, which was mainly due to the dividend paid of approximately HK\$24.5 million and the repayment to a director of approximately HK\$1.0 million, which is partly offset by the advance from a director of HK\$2.7 million.

For the year ended 31 March 2017, we had a net cash used in financing activities of approximately HK\$2.7 million, which was mainly due to the repayment to a director of approximately HK\$2.7 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth details of our Group's current assets and liabilities as at the respective dates indicated:

	2015	As at 31 March		As at
	2016	2017	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current assets				
Trade receivables	6,568	9,893	11,607	13,484
Deposits and prepayments	12	7	2,491	2,382
Amount due from customers				
for contract work	7,894	10,271	12,585	16,010
Pledged bank deposits	62	73	881	958
Bank balances	11,978	6,169	11,276	14,083
	26,514	26,413	38,840	46,917
Current liabilities				
Trade payables	2,646	3,871	7,768	8,600
Other payables and				
accrued charges	572	2,105	1,514	2,491
Amount due to customers for				
contract work	74	1,897	1,834	2,107
Amount due to a director	1,000	2,690	–	–
Tax payable	3,343	3,222	2,893	1,968
	7,635	13,785	14,009	15,166
Net current assets	18,879	12,628	24,831	31,751

As at 31 March 2015, we had net current assets of approximately HK\$18.9 million. The components of our current assets as at 31 March 2015 comprised trade receivables of approximately HK\$6.6 million, deposits and prepayments of approximately HK\$12,000, amount due from customers for contract work of approximately HK\$7.9 million, pledged bank deposits of approximately HK\$62,000 and bank balances of approximately HK\$12.0 million. The components of our current liabilities as at 31 March 2015 comprised trade payables of approximately HK\$2.6 million, other payables and accrued charges of approximately HK\$0.6 million, amount due to customers for contract work of approximately HK\$74,000, amount due to a director of approximately HK\$1.0 million and tax payable of approximately HK\$3.3 million.

FINANCIAL INFORMATION

Despite the favourable results for the year ended 31 March 2016, our net current assets as at 31 March 2016 decreased by approximately HK\$6.3 million as compared to that as at 31 March 2015, primarily because of the dividend payment of HK\$24.5 million for the year ended 31 March 2016.

As at 31 March 2016, we had net current assets of approximately HK\$12.6 million. The components of our current assets as at 31 March 2016 comprised trade receivables of approximately HK\$9.9 million, deposits and prepayments of HK\$7,000, amount due from customers for contract work of approximately HK\$10.3 million, pledged bank deposits of approximately HK\$73,000 and bank balances of approximately HK\$6.2 million. The components of our current liabilities as at 31 March 2016 comprised trade payables of approximately HK\$3.9 millions, other payables and accrued charges of approximately HK\$2.1 million, amount due to customers for contract work of approximately HK\$1.9 million, amount due to a director of HK\$2.7 million and tax payable of approximately HK\$3.2 million.

As at 31 March 2017, we had net current assets of approximately HK\$24.8 million. The components of our current assets as at 31 March 2017 comprised trade receivables of approximately HK\$11.6 million, deposits and prepayments of approximately HK\$2.5 million, amount due from customers for contract work of approximately HK\$12.6 million, pledged bank deposits of approximately HK\$0.9 million and bank balances of approximately HK\$11.3 million. The components of our current liabilities as at 31 March 2017 comprised trade payables of approximately HK\$7.8 million, other payables and accrued charges of approximately HK\$1.5 million, amount due to customers for contract work of approximately HK\$1.8 million and tax payable of approximately HK\$2.9 million.

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Amounts due from/to customers for contract work

We recognise our revenue of fire safety services based on percentage of completion of the contracts at the end of each reporting period. The percentage of completion is determined based on the direct proportion that contract cost incurred for work performed to date relative to the estimated total contract costs. If costs incurred plus recognised profits less recognised losses exceed progress billings, an amount due from customers for contract work will be recognised as our Group's current assets. Conversely, when our progress billings exceed costs incurred plus recognised profits less recognised losses, an amount due to customers for contract work will be recognised as our Group's current liabilities.

FINANCIAL INFORMATION

The following table sets forth our Group's contract costs incurred plus recognised profits less recognised losses and our Group's progress billings as at the dates indicated:

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of the dates indicated:			
Contract costs incurred plus recognised profits less recognised loss	55,960	81,899	119,743
Less: Progress billings	<u>(48,140)</u>	<u>(73,525)</u>	<u>(108,992)</u>
Total	<u>7,820</u>	<u>8,374</u>	<u>10,751</u>
 Analysed as:			
Amounts due from customers for contract work	7,894	10,271	12,585
Amounts due to customers for contract work	<u>(74)</u>	<u>(1,897)</u>	<u>(1,834)</u>
	<u>7,820</u>	<u>8,374</u>	<u>10,751</u>

The net amounts due from customers for contract work increased by approximately HK\$0.6 million from approximately HK\$7.8 million as at 31 March 2015 to approximately HK\$8.4 million as at 31 March 2016. The increase was mainly attributable to the increase in our business scale, which led to the increase in costs such as purchase of materials and equipment, subcontracting fees and other miscellaneous costs for the year ended 31 March 2016 but relevant completed works were still under verification by our customers.

The net amounts due from customers for contract work further increased by approximately HK\$2.4 million from approximately HK\$8.4 million as at 31 March 2016 to approximately HK\$10.8 million as at 31 March 2017. The increase was mainly attributable to the further increase in business scale of our Group, which led to the increase in costs such as purchase of materials and equipment, subcontracting fees and other miscellaneous costs for the year ended 31 March 2017 but relevant completed works were still under verification by our customers.

FINANCIAL INFORMATION

Unbilled retention receivables of HK\$1.9 million, HK\$3.3 million and HK\$4.4 million are included in the above contracts in progress as at 31 March 2015, 2016 and 2017, respectively. The receivables are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from one to two years from the date of completion of respective projects. Our Directors consider that the changes were generally consistent with our Group's business growth during the Track Record Period. The unbilled retention receivables are to be settled, based on the expiring of the defect liability period, at the end of each reporting period are as follows:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	1,615	1,916	3,544
After one year	263	1,432	885
	1,878	3,348	4,429
	1,878	3,348	4,429

The amounts due from/to customers for contract work are usually affected by the volume and value of works we performed close to the end of each reporting period and the timing of receiving interim certificates, and thus vary from period to period.

Trade receivables

Trade receivables were mainly derived from our provision of fire safety services. Generally, based on the amount of work completed, we will make progress payment application to customers pursuant to the terms of the contracts. Upon receiving the progress payment application, the customer or its authorised person will examine the portion of work completed and would issue a payment certificate after the examination. We will then proceed to issue invoice to the customers with a credit term of generally 0 to 30 days from the date of invoices.

Our trade receivables increase from approximately HK\$6.6 million as at 31 March 2015 to approximately HK\$9.9 million and HK\$11.6 million as at 31 March 2016 and 31 March 2017 respectively, which was in line with the increase in our revenue.

FINANCIAL INFORMATION

The following table sets out our ageing analysis of trade receivables from customers, presented based on the date of invoice as at the dates indicated:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	3,430	5,483	3,948
31-60 days	765	2,209	4,568
61-90 days	839	803	693
91-180 days	564	903	1,686
181-365 days	641	429	712
Over 365 days	329	66	–
	<u>6,568</u>	<u>9,893</u>	<u>11,607</u>

The following table sets out our ageing analysis of the trade receivables which were past due but not impaired, as at the dates indicated:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Number of days overdue:			
1-30 days	2,376	4,809	6,484
31-60 days	839	803	693
61-150 days	564	903	1,686
151-365 days	970	495	711
	<u>4,749</u>	<u>7,091</u>	<u>9,574</u>
Total	<u>4,749</u>	<u>7,091</u>	<u>9,574</u>

Our Directors regularly assess the collectibility of our trade receivables on a case-by-case basis to determine if any provision for trade receivables is necessary. Our Directors' assessment is based on, among other things, the evaluation of collectibility, ageing analysis of the receivables, the ultimate realisation of these outstandings, the customer's current creditworthiness, its past payment history and our Group's current and potential future business relationship with such customer. If the financial conditions of any of our Group's customers deteriorate, resulting in an impairment of their ability to make payments, provision for trade receivables may be required. During the Track Record Period, allowance for bad and doubtful debts on trade receivables of approximately HK\$160,000, HK\$226,000 and HK\$125,000 were recognised for the years ended 31 March 2015, 2016 and 2017, respectively.

Among our trade receivables, aggregate carrying amount of approximately HK\$4.7 million, HK\$7.1 million and HK\$9.6 million were past due at 31 March 2015, 31 March 2016 and 31 March 2017, respectively. We did not provide for impairment loss for such amounts as there had not been a significant change in credit quality of the respective trade receivables and the amounts was still considered recoverable. Our Group does not hold any collateral over these balances. The average age of these receivables was 104 days, 65 days and 74 days as at 31 March 2015, 31 March 2016 and 31 March 2017, respectively.

FINANCIAL INFORMATION

As at 31 July 2017, approximately HK\$8.7 million or 75.2% of trade receivables as at 31 March 2017 had been subsequently settled.

Trade receivables turnover days

The following table sets out the average trade receivables turnover days for the periods indicated:

	For the years ended 31 March		
	2015	2016	2017
Trade receivables turnover days (<i>note</i>)	<u>52.0</u>	<u>48.3</u>	<u>46.3</u>

Note: Trade receivables turnover days equal ending balance of trade receivables divided by revenue for the relevant year/period, then multiplied by the number of days in the relevant year (i.e. 365 days for a full year).

Our average trade receivables turnover days were approximately 52.0 days, 48.3 days and 46.3 days for the years ended 31 March 2015, 2016 and 2017, respectively, the decrease in turnover days was mainly due to our Group's continuous effort to strengthen the collection of trade receivables. The average trade receivables turnovers days indicate the average number of days required for us to collect payments from our customers.

The trade receivables turnover days during the Track Record Period were longer than the general credit terms of 0 to 30 days granted to our customers because some of our customers which are more sizable construction contractors and property managers exhibited a slower payment pattern as they normally settle the bills in accordance with their own settlement policies instead of the credit period granted.

We did not experience any material default of payment from customers during the Track Record Period.

Trade payables

Our trade payables mainly represented amounts payable to our suppliers, from whom we purchased materials and equipment, as well as subcontractors.

As our business is project-based and may not be recurring, our direct costs during the Track Record Period fluctuated subject to the size and the progress of our works and as such, our trade payables balance and turnover days as at a reporting date or during a reporting period may be affected.

Our trade payables increased from approximately HK\$2.6 million as at 31 March 2015 to approximately HK\$3.9 million as at 31 March 2016. The increase in trade payables was due to the increase in number of new building projects undertaken by our Group, which led to the increase in the amount payable to suppliers and subcontractors.

FINANCIAL INFORMATION

Our trade payables further increased from approximately HK\$3.9 million as at 31 March 2016 to approximately HK\$7.8 million as at 31 March 2017. The significant increase in trade payables was due to the increase in business scale of our Group, which led to the increase in purchase of materials and equipment, subcontracting fees for the year ended 31 March 2017.

The following table sets out the ageing analysis of trade payables presented based on the invoice dates as at the dates indicated:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	2,063	2,599	6,106
31-60 days	313	1,082	975
Over 60 days	270	190	687
	<u>2,646</u>	<u>3,871</u>	<u>7,768</u>

The credit period on purchases and subcontracting of contract work services is nil to 30 days. As at 31 July 2017, approximately HK\$7.4 million or 95.1% of trade payables as at 31 March 2017 were settled.

The following table sets out our trade payables turnover days during the periods indicated:

	For the years ended 31 March		
	2015	2016	2017
Trade payables turnover days (<i>note</i>)	<u>39.9</u>	<u>32.1</u>	<u>51.9</u>

Note: Trade payables turnover days equal ending balance of trade payables divided by direct costs (excluded direct labor costs) for the relevant year, then multiplied by the number of days in the relevant year (i.e. 365 days for a full year).

The trade payables turnover days decreased from approximately 39.9 days for the year ended 31 March 2015 to approximately 32.1 days for the year ended 31 March 2016. Such decrease was mainly due to significant increase in the subcontracting fees incurred in relation to our fire safety services, where subcontracting fees generally had shorter or nil credit periods.

The trade payables turnover days increased from approximately 32.1 days for the year ended 31 March 2016 to approximately 51.9 days for the year ended 31 March 2017. Such increase was mainly due to the longer processing time required for handling the increasing volume of invoices issued by subcontractors as our subcontracting amount increased and for our newly employed financial controller to review such invoices.

FINANCIAL INFORMATION

Tax payable

Our Group's income tax expense for the years ended 31 March 2015, 2016 and 2017 were approximately HK\$2.4 million, HK\$3.7 million and HK\$4.0 million, respectively. Our Group's tax liabilities as at 31 March 2015, 2016 and 2017 were approximately HK\$3.3 million, HK\$3.2 million and HK\$2.9 million, respectively.

Our income tax paid during the year ended 31 March 2015 was approximately HK\$0.3 million and during the year ended 31 March 2016 was approximately HK\$3.8 million. Such income taxes paid were assessed and computed by the IRD based on tax returns filed by us for the respective years of assessment, which were in turn prepared by us in accordance with the statutory financial statements of our subsidiaries for the years ended 31 March 2014 and 2015 audited by our Group's predecessor auditors. During the Track Record Period, we have fully settled our tax liabilities as required by the assessment raised by the IRD.

In preparation of the financial statements of our Group for the year ended 31 March 2016, our management had identified cut-off errors, being accounting errors in relation to the recognition of the contract revenue and the corresponding cost, in the statutory financial statements of our subsidiaries for the years ended 31 March 2014 and 2015. Such accounting errors arose as certain revenue which is not yet recognised prior to the year ended 31 March 2016 should be recognised in prior years ended 31 March 2014 and 31 March 2015 based on the stage of completion method, which is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs during the year. Such revenue, with the corresponding costs incurred during the years ended 31 March 2014 and 31 March 2015, were not recognised in such statutory financial statements for the respective financial years. Our Directors consider that such accounting errors made in the statutory financial statements of our Group's subsidiaries were mainly due to the inadvertent oversight of the accounting staff during the preparation of the statutory financial statements, as the staff was in lack of the relevant accounting knowledge and not fully observant to the Hong Kong Financial Reporting Standards in relation to recognition of the contract revenue and corresponding costs. Our Group relied on the judgement exercised by the then local auditors (who are practicing members of the Hong Kong Institute of Certified Public Accountants and are regarded as competent person to audit the Group's accounts) in the preparation of the statutory financial statements. In preparing for the Listing, such local auditors were subsequently replaced by our Reporting Accountants which have relevant experience as reporting accountants for listing applicants. For details, please refer to Note 28 to the Accountants' Report as set out in Appendix I to this prospectus. The Directors currently intend to retain our Reporting Accountants as the auditors for our Group after Listing.

The understated revenue was HK\$3.4 million and HK\$0.8 million for the years ended 31 March 2014 and 2015 respectively and the understated profit before taxation were HK\$3.2 million and HK\$2.4 million for the same period. Relevant adjustments have been made to the revenue and direct costs of our Group for the year ended 31 March 2015, and also to the opening balance of retained earnings brought forward as at 1 April 2014 for errors since incorporation of our Group's subsidiaries up to 1 April 2014. The Company had prepared a revised tax computation for the year of assessment 2013/14 taking into account the accounting adjustments for the period before 1 April 2014 and submitted to the IRD as to promptly offer for tax for the aforementioned cut-off adjustments. Accordingly, relevant adjustments have also been made to the income tax expenses, and the income tax expenses for the year ended 31 March 2015 was approximately HK\$2.4 million. Our Group's tax payable as at 31 March 2015 and 2016 of approximately HK\$3.3 million and HK\$3.2 million respectively include income tax payable of approximately HK\$1.5 million arising from the adjustment to the income tax expenses for the years ended 31 March 2014 and 31 March 2015.

FINANCIAL INFORMATION

As a result of the foregoing, there were understatements in the profits reported in the tax return filed by our Group's subsidiaries for the year of assessment 2013/2014 and 2014/2015, and the resulted tax undercharged were approximately HK\$1.1 million and HK\$0.4 million, respectively. In February 2017, the IRD issued additional tax assessments for the years of assessment 2013/2014 and 2014/2015 in accordance with the revised tax computations submitted. According to the additional tax assessments issued by the IRD, the amounts of additional tax charges payable of HK\$1.5 million were consistent with the figures stated in the revised tax computations submitted to the IRD and our Group fully settled the additional tax demand in April 2017. The Controlling Shareholders have agreed to indemnify our Group in respect of any further tax liability and/or the resulting penalty or surcharge as assessed by the IRD in relation to the tax undercharged for the years of assessment 2013/2014 and 2014/2015 for which our Group may be liable. For details in relation to the indemnity, please refer to the paragraph headed "E. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus.

In this regard, we have obtained a Hong Kong tax opinion (the "**Tax Opinion**") from our Hong Kong tax adviser, Cheng & Cheng Taxation Services Limited, with respect to the amount of tax undercharged and the potential penalty that may be imposed on our Group by the IRD. According to the Tax Opinion, our Group has made full voluntary disclosure on the accounting errors and the tax undercharged, and there is no evidence that the tax understatement was due to intention disregard of law and recklessness. It is more likely for the IRD to consider that the error was due to failure to exercise reasonable care. The penalty, if any, shall be in the range of 5% of the tax undercharged, whereas the maximum tax penalty is 30% of the tax undercharged. For illustrative purposes only, the penalty of 5% on the tax undercharged would be approximately HK\$75,000, whereas the penalty of 30% on tax undercharged would be approximately HK\$450,000. Given that our Group has been cooperative in quantifying the amount of tax undercharged for IRD's easy reference and has not committed similar offences before, our tax adviser opines that it is more likely for IRD to charge penalty to our Group on 5% of the tax undercharged while it is remote for IRD to charge penalty on 30% of the tax undercharged. Based on the Tax Opinion, the management of our Company considered that the amount of potential tax penalty that might be imposed by the IRD is immaterial, and no provision for such amount has been made to the financial information of our Group for the Track Record Period accordingly.

Our Group has engaged RSM Consulting (Hong Kong) Limited as our internal control adviser to review our internal control systems and has taken the following remedial action and enhanced internal control measure in order to prevent re-occurrence of the incident in the future:

- we took the initiative of informing the IRD of the understatements in the profits reported and made a filing to the IRD for tax reassessment for the relevant years of assessment upon the issue of statutory financial statements in September 2016. We have fully settled the additional tax demand in accordance with the reassessment of the IRD; and
- with respect to the aforesaid errors, our Directors consider that it was mainly due to the inadvertent oversight of the accounting staff responsible for the preparation of the statutory financial statements. Our Group has appointed Mr. WONG Chi Wai, a Certified Public Accountant, as the financial controller in May 2016 to oversee the accounting function of our Group and in particular, to review the financial statements to ensure they are fully observant to the Hong Kong Financial Reporting Standards in relation to recognition of the contract revenue and corresponding costs. Given that Mr. Wong has approximately 10 years of experience in accounting and auditing industry and is experienced in preparing financial information in compliance with the Hong Kong Financial Reporting Standards, our Directors believe that we can prevent the re-occurrence of similar accounting errors in the preparation of our Group's financial statements.

FINANCIAL INFORMATION

View of our Directors and the Sole Sponsor

Our Directors are of the view, and the Sole Sponsor concurs, that such accounting errors leading to the incorrect tax returns should not cast doubt or have material negative impact on the competence and integrity of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules due to the following reasons:

1. Mr. Fok, being the sole director of KY Contracting during the relevant period, and the other executive Director are not professional accountants with extensive and technical knowledge about the relevant accounting standards and had exercised reasonable care and diligence in handling the above matters by seeking professional advice from the local auditors;
2. our Directors had been responsive and had taken immediate remedial actions and our Group had refiled the revised tax computations with the IRD voluntarily and will duly settle the reassessed income tax balance in accordance with the requirement of the IRD;
3. the accounting errors did not involve any dishonesty or fraudulent act of our Directors; and
4. our Directors' commitment to implement remedial action and enhanced internal control measure demonstrates that their integrity is not at risk.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the dates indicated.

	2015	As at 31 March		As at
	2016	2017	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current liabilities				
Amount due to a director	1,000	2,690	–	–

Amounts due to a director

The amount due to a director was approximately HK\$1.0 million, HK\$2.7 million, nil and nil as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. Such amount was unsecured, unguaranteed, interest-free and had no fixed terms of repayment.

Performance guarantees and contingent liabilities

As at 31 March 2015, 31 March 2016, 31 March 2017 and 31 July 2017, performance guarantees of approximately HK\$62,000, HK\$73,000, HK\$0.9 million and HK\$1.0 million respectively were given by a bank in favour of our Group's customers as security for the due performance and observance of our obligations under the contracts entered into between us and our customers. If we fail to provide satisfactory performance to our customers to whom performance guarantee have been given, such customers may demand the banks to pay to them a sum not more than the amount of the relevant performance guarantee. We will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the contract works.

FINANCIAL INFORMATION

Our Directors do not consider it is probable that a claim will be made against our Group.

In September 2016, we obtained a banking facility of HK\$4.0 million which was secured by personal guarantees from Mr. Fok. The aforesaid guarantees on our banking facility will be replaced by corporate guarantee of our Company upon Listing. As at 31 July 2017, our Group had not utilised the banking facility.

Our Directors confirmed that there were no material covenants or any breach in financial covenants relating to our Group's outstanding debts, guarantees or contingent obligations.

Save as disclosed above, as at the Latest Practicable Date for the purpose of this indebtedness statement, our Group did not have any loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

CONTRACTUAL COMMITMENTS

Operating Lease Commitments

Our Group as lessee

During the Track Record Period, our Group had commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	As at 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	267	573	559
In the second to fifth year inclusive	<u>221</u>	<u>463</u>	<u>223</u>
	<u>488</u>	<u>1,036</u>	<u>782</u>

The above operating lease payments represent rental payable by us for office premises and certain equipment. Leases and rentals are negotiated and fixed for a term of two to five years. Mr. Fok provided personal guarantee to a landlord for lease of office premises by the Group. Such guarantee will be replaced by corporate guarantee of our Company upon Listing.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures for the purchase of property and equipment. Our capital expenditures were approximately HK\$139,000, HK\$93,000 and HK\$0.5 million for the years ended 31 March 2015, 2016 and 2017 respectively.

OFF-BALANCE SHEET ARRANGEMENTS

Our Group did not enter into any off-balance sheet transactions or arrangements as at the Latest Practicable Date.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including internal resources and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

SUMMARY OF KEY FINANCIAL RATIOS

		For the years ended 31 March		
	Notes	2015	2016	2017
Gross profit margin	1	37.8%	34.1%	32.6%
Net profit margin	2	26.4%	24.4%	13.7%
Return on equity	3	63.2%	139.8%	49.1%
Return on total assets	4	45.3%	67.9%	31.7%
Current ratio	5	3.5 times	1.9 times	2.8 times

Notes:

1. Gross profit margin is calculated based on gross profit for the year divided by the total revenue for the respective year and expressed as a percentage.
2. Net profit margin is calculated based on profit and total comprehensive income for the year divided by the total revenue for the respective year and expressed as a percentage.
3. Return on equity is calculated based on profit and total comprehensive income for the year divided by the total equity at the end of the respective year and expressed as a percentage.
4. Return on total assets is calculated based on profit and total comprehensive income for the year divided by the total asset at the end of the respective year and expressed as a percentage.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities.

FINANCIAL INFORMATION

Gross profit margin

Our Group's gross profit margin decreased from 37.8% for the year ended 31 March 2015 to 34.1% for the year ended 31 March 2016, and further decreased to 32.6% for the year ended 31 March 2017. The decline was mainly due to the additional involvement of subcontractors in the provision of repair and maintenance services. Since our business for fire safety system installation substantially grew during the Track Record Period and we allocated our own workforce to work on the fire safety system installation projects, a larger portion of the repair and maintenance works were subcontracted to our subcontractors, which increased our subcontracting fees incurred.

Net profit margin

We recorded a decreased in net profit margin from 26.4% for the year ended 31 March 2015 to 24.4% for the year ended 31 March 2016. This is due to the decrease in gross profit margin in the corresponding year. The net profit margin for the year ended 31 March 2017 dropped to 13.7%, which was mainly attributable to (i) the slight decrease in gross profit margin; (ii) the increase in administrative expenses incurred; and (iii) the listing expenses incurred during the year.

Return on equity

We recorded an increase in return on equity from approximately 63.2% for the year ended 31 March 2015 to approximately 139.8% for the year ended 31 March 2016. The substantial increase was primarily attributable to the strong increase in our net profits in the period and the decrease in our equity as a result of the dividend paid for the year ended 31 March 2016.

The return on equity dropped significantly to 49.1% for the year ended 31 March 2017, which is mainly due to (i) the decrease in net profit as explained above and (ii) the increase in total equity as a result of the accumulation of profit during the year.

Return on total assets

The return on total assets increased from 45.3% for the year ended 31 March 2015 to 67.9% for the year ended 31 March 2016, which was mainly due to the strong increase of approximately 49.4% in our net profit from approximately HK\$12.2 million in the year ended 31 March 2015 to approximately HK\$18.2 million in the year ended 31 March 2016.

Our return on total assets decreased to approximately 31.7% for the year ended 31 March 2017. This was primarily attributable to the decrease in our net profit as explained above and the increase in total assets such as bank balances due to the accumulation of profit for the year ended 31 March 2017.

Current ratio

Our current ratio decreased from approximately 3.5 times as at 31 March 2015 to approximately 1.9 times as at 31 March 2016. This was primarily due to the decrease in our bank balances resulted from the payment of dividend. The current ratio as at 31 March 2017 increased to 2.8 times, which was mainly attributable to the increase in current assets such as bank balances due to the accumulation of profit for the year ended 31 March 2017.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As at 31 March 2017, our Company did not have any distributable reserve available for distribution to our Shareholders.

DIVIDENDS

During the years ended 31 March 2015 and 2016, KY Contracting declared and paid dividends of approximately HK\$2.7 million and HK\$24.5 million to Mr. Fok, respectively. Such dividend was fully settled in March 2016. Our Group financed the payment of such dividend by our available cash and cash equivalents prior to Listing. Save as disclosed above, no dividends have been paid or declared by KY Contracting since 2006. Our Company currently does not have a dividend policy and may declare dividends by way of cash or by other means that our Directors consider appropriate. Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions and other factors that we may consider relevant, and is subject to our discretion. We expect a healthy liquidity position can be maintained after distribution of dividends. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The dividend payment will reduce our liquidity position as cash balance will be reduced accordingly.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Credit risk

Our Group is exposed to credit risk primarily due to the collectability risk of the trade receivables due from our customers. Our Directors consider that our customers are reputable corporations and hence the credit risk attached to our customers is relatively low. Management adopted a policy on providing credit facilities to new customers. A credit investigation, including access to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis. The credit policies have been followed by our Group during the Track Record Period and are considered to be effective in limiting our exposure to credit risk.

The credit risk for bank balances and pledged bank deposit is considered as not material as such amounts are placed in banks with good reputations.

Liquidity risk

Our Group has policy in place to regularly monitor our Group's liquidity requirements, both current and expected, in order to maintain sufficient reserves of cash from short term to long term. Our Directors are of the view that our liquidity risk management policy enables our Group to have sufficient resources to meet our debt obligations and working capital needs.

For details of our Group's contractual maturity for our non-derivative financial liabilities based on the agreed repayment terms, please refer to Note 6 of the Accountants' Report in Appendix I to this prospectus for further details regarding the liquidity risk.

FINANCIAL INFORMATION

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 March 2017, please refer to “(C) — Subsequent Events” to the Accountants’ Report set forth in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for further details.

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules upon the listing of the Shares on the GEM.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our principal business of provision of (i) fire safety system installation services; and (ii) repair and maintenance services.

Projects in Progress

Subsequent to the Track Record Period, we had 39 fire safety system installation projects in progress, in which their individual contract value exceeds HK\$100,000. The following table sets out a breakdown of such projects in progress:

	Number of projects in progress	Average contract sum per project <i>HK\$'000</i>	Aggregate contract sum of all projects in progress <i>HK\$'000</i>	Corresponding amount of revenue expected to be recognised after the Track Record Period <i>HK\$'000</i>
Fire safety system installation				
— New buildings	11	6,004	66,045	55,033
— Existing buildings	28	1,902	53,258	34,954
Total	39		119,303	89,987

Project awarded but not commenced as at the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract value of the fire safety system installation projects for new buildings and existing buildings awarded to us but not commenced amounted to approximately HK\$10.6 million and HK\$0.5 million respectively.

FINANCIAL INFORMATION

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the listing expenses to be incurred as stated in the paragraphs headed “Listing expenses” in this section, (i) there were no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position since 31 March 2017 and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 31 March 2017 and up to the date of this prospectus; and (iii) no event had occurred since 31 March 2017 and up to the date of this prospectus that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

CLC Securities Limited
Gransing Securities Co., Limited
Astrum Capital Management Limited
Pacific Foundation Securities Limited
Quasar Securities Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 15,000,000 Offer Shares (subject to reallocation) for subscription by public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Public Offer Underwriters have agreed to subscribe for, or procure subscribers to subscribe for the Public Offer Shares on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination of the Public Offer Underwriting Agreement

The Sole Bookrunner shall have the absolute discretion to terminate the arrangements set out in the Public Offer Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

- (i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction in which our Group operates or has or is deemed by any applicable law to have a presence, which is material to the conditions, business affairs, profits, losses or the financial or trading position of any member of our Group (the “**Relevant Jurisdictions**”);
- (ii) any adverse change (whether or not permanent) in local, national or international stock market conditions;
- (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
- (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any Relevant Jurisdiction;

UNDERWRITING

- (v) any adverse change in the business or in the financial or trading position of our Group or otherwise;
- (vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in any Relevant Jurisdiction;
- (vii) a general moratorium on commercial banking business activities in any Relevant Jurisdiction declared by the relevant authorities; or
- (viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the reasonable opinion of the Sole Bookrunner:

- (a) is or will be or likely to be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or
- (b) have or will have or likely to have a material adverse effect on the success of the Share Offer or might have the effect of making any part of the Public Offer Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
- (c) makes it inadvisable or inexpedient to proceed with the Share Offer.

Without prejudice to the paragraphs above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Sole Bookrunner:

- (i) any matter or event showing any of the warranties to be untrue, inaccurate or misleading when given or repeated or there has been any breach of any of the warranties or any other provision of the Public Offer Underwriting Agreement which is considered, in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner, to be material in the context of the Public Offer;
- (ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner in the context of the Public Offer; or
- (iii) any statement contained in this prospectus or the Application Forms which is discovered to be or becomes untrue, incorrect or misleading and in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner to be material in the context of the Public Offer; or
- (iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, the executive Directors and the Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement,

UNDERWRITING

the Sole Bookrunner shall be entitled (but not bound) by notice in writing to our Company (for itself and on behalf of the other parties to the Public Offer Underwriting Agreement (other than the Sole Bookrunner)) on or prior to such time to terminate the Public Offer Underwriting Agreement.

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company have undertaken to the Stock Exchange that except pursuant to the Share Offer (including the Offer Size Adjustment Option), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of our Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that, it shall not directly or indirectly and shall procure that its associates, companies controlled by it, its nominees, trustees and the relevant registered holder(s) of the Shares shall not:

- (i) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange (the “**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner(s) (within the meaning of Rule 13.16A(2) of the GEM Listing Rules) (whether direct or indirect); and
- (ii) in the period of six months commencing on the date on which the period referred to in (i) above expires (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any securities referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that it, individually or together with each other as a group, would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders, jointly and severally, has further undertaken to the Stock Exchange and our Company that it will comply with the following requirements:

- (i) in the event that it pledges or charges any direct or indirect interest in Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as securities for a bona fide commercial loan under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date by reference to which disclosure of our shareholding is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it shall inform our Company immediately thereafter, disclosing the details regarding information on the pledging of securities in our Company specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and

UNDERWRITING

- (ii) having pledged or charged any interest in Shares under paragraph (a) above, it shall inform our Company immediately in the event that it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Voluntary undertakings by the Controlling Shareholders

In addition to the requirement of Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally and irrevocably undertaken to our Company that:

- (a) he/it shall not, and will procure that none of its/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him not to at any time during the period of 12 months after the Second six-month Period (the “**Next 12-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for himself/itself, such that immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company or the aggregate interest of all members of the Controlling Shareholders would be less than 30% of our Company’s issued share capital; and
- (b) until the expiry of the Next 12-month Period, in the event of any sale, transfer or disposal of any Shares or securities of our Company or any interest therein, he/it shall take all reasonable steps to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for our Shares or other securities of our Company.

The above voluntary undertakings are irrevocable and can only be waived by the majority approval of our Company’s independent Shareholders.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Except pursuant to the Capitalisation Issue, the Share Option Scheme and the Share Offer (including pursuant to the Offer Size Adjustment Option), during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date, our Company has undertaken to each of the Sole Bookrunner, the Joint Lead Managers, the Sole Sponsor and the Public Offer Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Bookrunner and the Sole Sponsor and except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules:

- (a) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or

UNDERWRITING

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of our Company, the Sole Bookrunner, the Joint Lead Managers, the Sole Sponsor and the Public Offer Underwriters that, except for any pledge or charge of Shares (in respect of which the Controlling Shareholders are shown in this prospectus as the beneficial owner) by the Controlling Shareholders as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, without the prior written consent of the Sole Bookrunner and the Sole Sponsor:

- (a) it will not, at any time during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) beneficially owned by it as at the Listing Date (the “**Locked-up Securities**”), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Locked-up Securities, or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (b) it will not, during the period of 18 months commencing on the date on which the period stated in paragraph (a) above expires (the “**Next 18-Month Period**”), enter into any of the transactions specified in (i), (ii) or (iii) under paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as defined in the GEM Listing Rules) of our Company;

UNDERWRITING

- (c) if it enters into any of the transactions specified in (i), (ii) or (iii) under paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction during the Next 18-Month Period, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares of any other securities of our Company; and
- (d) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date by reference to which disclosure of its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 24 months from the Listing Date, it shall:
 - (i) when it pledges or charges or otherwise create any rights of encumbrances over any Locked-up Securities 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, the Sole Bookrunner and the Sole Sponsor of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sole Bookrunner and/or the Sole Sponsor; and
 - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Locked-up Securities as mentioned in sub-paragraph (i) above, when it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company of such indications, and inform (or procure our Company to inform) the Sole Bookrunner and the Sole Sponsor as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

Each of the Controlling Shareholders has also undertaken and covenanted with our Company, the Sole Bookrunner, the Joint Lead Managers, the Sole Sponsor and the Public Offer Underwriters that it shall comply with the requirements of Rules 13.16A, 13.18 and 13.19 of the GEM Listing Rules and to procure that our Company shall comply with the requirements under Rules 13.19 and 13.20 of the GEM Listing Rules.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Placing Underwriter(s) will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, our Company will offer our Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the Placing Underwriting Agreement and the placing documents. It is expected that the Placing Underwriter(s) will agree to underwrite for the Placing Shares.

Commissions and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 6.0% of the aggregate Offer Price in respect of all of the Public Offer Shares (excluding any Placing Shares reallocated to the Public Offer and any Public Offer Shares reallocated to the Placing).

UNDERWRITING

In consideration of the Sole Sponsor's services in sponsoring the Listing, the Sole Sponsor will receive a financial advisory fee. Such underwriting commission and financial advisory fee, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK\$21.0 million in aggregate (assuming an Offer Price of HK\$0.40 per Offer Share (being the midpoint of the indicative Offer Price range)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Offer Size Adjustment Option.

Underwriters' interest in our Company

Save for the interests and obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in the shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

Sole Sponsor's interest in our Company

Save for (i) the advisory and documentation fees to be paid to the Sole Sponsor in connection with the Listing; (ii) the financial advisory fee to be paid to the Sole Sponsor as our Company's compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules; and (iii) their interests and obligations under the Underwriting Agreements, neither the Sole Sponsor nor any of its close associates has or may have, as a result of the Share Offer, any interest in any class of securities in our Company or any of its subsidiaries (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 may have, as a result of the Share Offer, any interest in any class of securities of our Company or any of its subsidiaries (including options or rights to subscribe for such 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 the Company or any of its subsidiaries. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STRUCTURE OF THE SHARE OFFER

The Share Offer comprises (subject to the Offer Size Adjustment Option):

- (i) the Public Offer of an aggregate of 15,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (ii) the Placing of 135,000,000 Placing Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

- (i) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms,

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 30th day after the date of this prospectus.

If such conditions have not been 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 Share Offer will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.lumina.com.hk on the next business day following such lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 15,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued pursuant to the Offer Size Adjustment Option and upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to institutional professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing 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" in this section.

Allocation

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on 24 October 2017 through a variety of channels as described in paragraph headed "How to Apply for Public Offer Shares — 10. Publication of results".

Reallocation

Allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Sole Bookrunner shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 30,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 45,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 45,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 60,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 75,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deems appropriate. In addition, the Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner.

If the Public Offer is not fully subscribed, the Sole Bookrunner will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Sole Bookrunner deems appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of the Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 135,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be upon exercise of options granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the bookbuilding process described in the paragraph headed “Pricing” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the 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 Sole Bookrunner may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them 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 PRICE

Determination of the Offer Price

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Thursday, 12 October 2017 or such later date as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. If the Sole Bookrunner (for itself and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Thursday, 12 October 2017 or such later date as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not become unconditional and will not proceed. The Sole Bookrunner (for itself and on behalf of the other Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.lumina.com.hk an announcement of such change on or before the Price Determination Date. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.lumina.com.hk a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will not be more than HK\$0.47 per Offer Share and is expected to be not less than HK\$0.33 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price payable on application

The Offer Price will not be more than HK\$0.47 per Offer Share and is expected to be not less than HK\$0.33 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.47 per Offer Share plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,797.89 per board lot of 8,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.47 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.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.lumina.com.hk on Tuesday, 24 October 2017.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Wednesday, 25 October 2017. The Shares will be traded in board lots of 8,000 Shares each. The GEM stock code for the Shares is 8470.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Share Offer will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OFFER SIZE ADJUSTMENT OPTION

The Sole Bookrunner can exercise the Offer Size Adjustment Option solely to cover any over-allocation in the Share Offer. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue up to an aggregate of 22,500,000 additional Shares at the Offer Price, representing approximately 15.0% of the Offer Shares initially available under the Share Offer. The Offer Size Adjustment Option can only be exercised at any time before 5:00 p.m. on the business day immediately before the date of the announcement of the results of allocation and the basis of allocation of the Public Offer Shares, otherwise it will lapse. Any such additional Shares to be issued pursuant to the Offer Size Adjustment Option will not be used for price stabilisation purpose and is not subject to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

In the event that the Offer Size Adjustment Option is exercised in full, the additional Offer Shares and the Offer Shares initially offered in the Share Offer will represent approximately 3.6% and 27.7% of the enlarged issued share capital of our Company in issue, respectively following completion of the Share Offer and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.

If the Offer Size Adjustment Option is exercised in full, 22,500,000 additional Shares will be issued resulting in a total number of 622,500,000 Shares in issue and the shareholding of our Shareholders will be diluted by approximately 3.6% and, if the Offer Size Adjustment Option is exercised in full, the net proceeds will be used in the same proportions as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus, on a pro-rata basis.

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Share Offer whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Sole Bookrunner on behalf of the Underwriters, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Bookrunner may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four 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;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

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 Friday, 29 September 2017 to 12:00 noon on Wednesday, 11 October 2017 from:

- (i) the following office of the Underwriters:

CLC Securities Limited

13/F., Nan Fung Tower
88 Connaught Road Central
Central, Hong Kong

Gransing Securities Co., Limited

17/F, Hing Yip Commercial Centre
272-284 Des Voeux Road Central
Central, Hong Kong

Astrum Capital Management Limited

Room 2704, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

Pacific Foundation Securities Limited

11th Floor, New World Tower II
16-18 Queen's Road Central
Central, Hong Kong

Quasar Securities Co., Limited

Unit A, 12/F, Harbour Commercial Building
122-124 Connaught Road Central
Sheung Wan
Hong Kong

- (ii) the following office of the Sole Sponsor:

CLC International Limited

13/F., Nan Fung Tower
88 Connaught Road Central
Central, Hong Kong

- (iii) any of the following branches of **Wing Lung Bank Limited**:

District	Branch name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Lam Tin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road
	Sheung Shui Branch	128 San Fung Avenue

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Wednesday, 11 October 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 "Wing Lung Bank (Nominees) Limited — Lumina Group Limited 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, 29 September 2017	–	9:00 a.m. to 5:00 p.m.
Saturday, 30 September 2017	–	9:00 a.m. to 1:00 p.m.
Tuesday, 3 October 2017	–	9:00 a.m. to 5:00 p.m.
Wednesday, 4 October 2017	–	9:00 a.m. to 5:00 p.m.
Friday, 6 October 2017	–	9:00 a.m. to 5:00 p.m.
Saturday, 7 October 2017	–	9:00 a.m. to 1:00 p.m.
Monday, 9 October 2017	–	9:00 a.m. to 5:00 p.m.
Tuesday, 10 October 2017	–	9:00 a.m. to 5:00 p.m.
Wednesday, 11 October 2017	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 11 October 2017, the last application day or such later time as described in the paragraph headed "9. 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, among other things, (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any 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;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xvii) understand that our Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner and our 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;
 - 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 Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Bookrunner 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Bookrunner, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.⁽¹⁾, Friday, 29 September 2017
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Tuesday, 3 October 2017
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Wednesday, 4 October 2017
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Friday, 6 October 2017
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Monday, 9 October 2017
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Tuesday, 10 October 2017
- 8:00 a.m.⁽¹⁾ to 12:00 noon, Wednesday, 11 October 2017

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, 29 September 2017 until 12:00 noon on Wednesday, 11 October 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 Wednesday, 11 October 2017, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, 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.

6. 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. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant 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 Wednesday, 11 October 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

“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).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 8,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer — Offer Price” of this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 11 October 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If the application lists do not open and close on Wednesday, 11 October 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” of this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 24 October 2017 on our Company’s website at www.lumina.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.lumina.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 24 October 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 24 October 2017 to 12:00 midnight on Monday, 30 October 2017;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 24 October 2017 to Friday, 27 October 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 24 October 2017 to Thursday, 26 October 2017 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR PUBLIC OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

12. 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\$0.47 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Share Offer” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 24 October 2017.

13. 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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 24 October 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 25 October 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a **WHITE** Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 24 October 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Tuesday, 24 October 2017, by ordinary post and at your own risk.

*(ii) If you apply using a **YELLOW** Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 24 October 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 Tuesday, 24 October 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "10. 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 Tuesday, 24 October 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

*(iii) If you apply via **Electronic Application Instructions** to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Tuesday, 24 October 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 in the manner specified in the sub-paragraph headed "10. Publication of results" above in this section on Tuesday, 24 October 2017.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 24 October 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 Tuesday, 24 October 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 24 October 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

14. 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 set out on pages I-1 to I-35, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LUMINA GROUP LIMITED AND CLC INTERNATIONAL LIMITED

Introduction

We report on the historical financial information of Lumina Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-35, which comprises the consolidated statements of financial position as at 31 March 2015, 2016 and 2017, the statement of financial position of the Company as at 31 March 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 March 2017 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-35 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 September 2017 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2015, 2016 and 2017, of the Company's financial position as at 31 March 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company's subsidiary and states that no dividends have been paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 September 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in HK dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	NOTES	Year ended 31 March		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Revenue	6	46,100	74,772	91,525
Direct costs		<u>(28,689)</u>	<u>(49,241)</u>	<u>(61,685)</u>
Gross profit		17,411	25,531	29,840
Bank interest income		–	1	1
Other losses		(160)	(226)	(55)
Administrative expenses		(2,665)	(3,446)	(5,750)
Listing expenses		–	–	(7,435)
Finance cost	8	<u>–</u>	<u>–</u>	<u>(19)</u>
Profit before taxation	9	14,586	21,860	16,582
Income tax expense	10	<u>(2,395)</u>	<u>(3,652)</u>	<u>(4,012)</u>
Profit and total comprehensive income for the year		<u>12,191</u>	<u>18,208</u>	<u>12,570</u>
Profit and total comprehensive income for the year attributable to				
– Owners of the Company		12,191	18,208	12,269
– Non-controlling interest		<u>–</u>	<u>–</u>	<u>301</u>
		<u>12,191</u>	<u>18,208</u>	<u>12,570</u>
Earnings per share				
Basic (HK cents)	12	<u>2.71</u>	<u>4.05</u>	<u>2.76</u>

Statements of Financial Position

	NOTES	The Group			The Company
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	As at 31 March 2017 HK\$'000
Non-current assets					
Property and equipment	13	319	266	583	–
Investment in a subsidiary		–	–	–	12,977
Deposits	15	78	129	179	–
		<u>397</u>	<u>395</u>	<u>762</u>	<u>12,977</u>
Current assets					
Trade receivables	14	6,568	9,893	11,607	–
Deposits and prepayments	15	12	7	2,491	2,315
Amounts due from customers for contract work	16	7,894	10,271	12,585	–
Pledged bank deposits	18	62	73	881	–
Bank balances	18	11,978	6,169	11,276	–
		<u>26,514</u>	<u>26,413</u>	<u>38,840</u>	<u>2,315</u>
Current liabilities					
Trade payables	19	2,646	3,871	7,768	–
Other payables and accrued charges	20	572	2,105	1,514	–
Amounts due to customers for contract work	16	74	1,897	1,834	–
Amount due to a director	17	1,000	2,690	–	–
Amount due to a subsidiary	17	–	–	–	9,751
Tax payable		3,343	3,222	2,893	–
		<u>7,635</u>	<u>13,785</u>	<u>14,009</u>	<u>9,751</u>
Net current assets (liabilities)		<u>18,879</u>	<u>12,628</u>	<u>24,831</u>	<u>(7,436)</u>
Net assets		<u>19,276</u>	<u>13,023</u>	<u>25,593</u>	<u>5,541</u>
Capital and reserves					
Issued share capital	21	620	–	–	–
Reserves		18,656	13,023	25,593	5,541
Equity attributable to owners of the Company		<u>19,276</u>	<u>13,023</u>	<u>25,593</u>	<u>5,541</u>
Non-controlling interest		–	–	–	–
Total equity		<u>19,276</u>	<u>13,023</u>	<u>25,593</u>	<u>5,541</u>

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company					Non-controlling interest	Total equity
	Issued share capital	Other reserve	Accumulated profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2014	620	–	9,155	9,775	–	9,775	
Profit and total comprehensive income for the year	–	–	12,191	12,191	–	12,191	
Dividend paid (<i>note 11</i>)	–	–	(2,690)	(2,690)	–	(2,690)	
At 31 March 2015	620	–	18,656	19,276	–	19,276	
Transfer as part of the Reorganisation (<i>note i</i>)	(620)	620	–	–	–	–	
Profit and total comprehensive income for the year	–	–	18,208	18,208	–	18,208	
Dividend paid (<i>note 11</i>)	–	–	(24,461)	(24,461)	–	(24,461)	
At 31 March 2016	–	620	12,403	13,023	–	13,023	
Profit and total comprehensive income for the year	–	–	12,269	12,269	301	12,570	
Change in shareholding in subsidiaries without losing control (<i>note ii</i>)	–	(920)	–	(920)	920	–	
Transfer upon completion of Reorganisation (<i>note iii</i>)	–	1,221	–	1,221	(1,221)	–	
At 31 March 2017	–	921	24,672	25,593	–	25,593	

Notes:

- (i) The transfer represents the difference between the share capital of Kin Ying Contracting Limited (“**KY Contracting**”) and Kin Ying F.S. Engineering Limited (“**KY Engineering**”) and that of Golden Second Limited (“**Golden Second**”) issued pursuant to a group reorganisation as stated in note 1.
- (ii) On 24 June 2016, Team Vantage Limited (“**Team Vantage**”), an independent third party and a limited company incorporated in the Republic of Seychelles, entered into a sale and purchase agreement with Mr. Fok Hau Fai (“**Mr. Fok**”), pursuant to which Mr. Fok transferred 50 shares of Golden Second to Team Vantage at the consideration of HK\$5,000,000. Following the completion of the share transfer, Golden Second was owned as to 95.0% by Mr. Fok and 5.0% by Team Vantage.
- (iii) On 30 September 2016, the Company acquired the entire issued share capital of Golden Second from Mr. Fok and Team Vantage in consideration of the allotment and issue 94 shares to Foxfire Limited (“**Foxfire**”), the immediate holding company of the Company, and 5 shares to Team Vantage. Upon the completion of transfer, Golden Second became a wholly-owned subsidiary of the Company.

Consolidated Statements of Cash Flows

	Year ended 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	14,586	21,860	16,582
Adjustments for:			
Depreciation of property and equipment	141	146	161
Allowance for bad and doubtful debts	160	226	55
Interest income	–	(1)	(1)
Finance cost	–	–	19
Operating cash flows before movements in working capital	14,887	22,231	16,816
Decrease (increase) in amounts due from/to customers for contract work, net	99	(554)	(2,377)
Increase in trade receivables	(39)	(3,551)	(1,769)
Increase in deposits and prepayments	–	(46)	(2,534)
(Decrease) increase in trade payables	(573)	1,225	3,897
Increase (decrease) in other payables and accrued charges	116	1,533	(591)
Cash generated from operations	14,490	20,838	13,442
Income tax paid	(277)	(3,773)	(4,341)
NET CASH FROM OPERATING ACTIVITIES	14,213	17,065	9,101
INVESTING ACTIVITIES			
Bank interest received	–	1	1
Purchases of property and equipment	(139)	(93)	(478)
Withdrawal of pledged bank deposits	40	14	48
Placement of pledged bank deposits	(48)	(25)	(856)
Advance to a director	–	(8,000)	–
Repayment from a director	–	8,000	–
NET CASH USED IN INVESTING ACTIVITIES	(147)	(103)	(1,285)

	Year ended 31 March		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
FINANCING ACTIVITIES			
Advance from a director	3,040	2,690	–
Interest paid	–	–	(19)
New bank borrowing raised	–	–	2,000
Repayment of bank borrowing	–	–	(2,000)
Repayment to a director	(4,149)	(1,000)	(2,690)
Dividend paid	(2,690)	(24,461)	–
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(3,799)</u>	<u>(22,771)</u>	<u>(2,709)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,267	(5,809)	5,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>1,711</u>	<u>11,978</u>	<u>6,169</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances	<u>11,978</u>	<u>6,169</u>	<u>11,276</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2013 Revision) Chapter 22 of the Cayman Islands on 7 July 2016. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus. The immediate holding company of the Company is Foxfire which is incorporated in the BVI.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA and the principle of merger accounting (under Accounting Guideline 5 "Merger Accounting for Common Control Combinations").

Before the completion of the Reorganisation, KY Contracting and KY Engineering were owned by Mr. Fok.

In preparation of the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the reorganisation as described below.

- (1) Golden Second was incorporated with limited liability under the laws of the BVI on 15 March 2016. As at the date of incorporation, Golden Second was authorised to issue a maximum of 50,000 shares with a par value of USD1.00 each. On 23 March 2016, Golden Second allotted and issued as fully paid one share to Mr. Fok.
- (2) On 24 March 2016, Mr. Fok further transferred his entire issued shares of each of KY Contracting and KY Engineering to Golden Second in consideration of the allotment of two shares to Mr. Fok in aggregate. On 20 May 2016, Golden Second allotted and issued as fully paid 997 shares to Mr. Fok.
- (3) On 24 June 2016, Team Vantage entered into a sale and purchase agreement with Mr. Fok, pursuant to which Mr. Fok transferred 50 shares of Golden Second to Team Vantage at the consideration of HK\$5,000,000. Following the completion of the share transfer, Golden Second was owned as to 95.0% by Mr. Fok and 5.0% by Team Vantage.
- (4) The Company was incorporated in the Cayman Islands on 7 July 2016 as an exempted company with limited liability under the Companies Law. At the time of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of the Company of HK\$0.01 each and one share of the Company was allotted and issued as fully paid to a subscriber, which was transferred to Mr. Fok on the same date.
- (5) On 30 September 2016, the Company acquired the entire issued share capital of Golden Second from Mr. Fok and Team Vantage in consideration of the allotment and issue 94 shares to Foxfire Limited and 5 shares to Team Vantage. Upon the completion of transfer, Golden Second became a wholly-owned subsidiary of our Company. On the same date, Mr. Fok transferred the one share held by him to Foxfire at par.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 30 September 2016 and KY Contracting and KY Engineering are controlled by Mr. Fok before and after the Reorganisation.

Accordingly, the Historical Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by HKICPA before the completion of the Reorganisation. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the period prior to the completion of the Reorganisation on 30 September 2016 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the period prior to the completion of the Reorganisation on 30 September 2016, or since their respective date of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

Accounting Guideline 5 was applied to account for the business combinations under common control effected for the purpose of the Reorganisation and the Group was treated as a continuation of existing business under merger accounting. According to Accounting Guideline 5, all equity interest attributable to parties other than controlling party, namely Mr. Fok, is treated as non-controlling interests.

No statutory financial statements of the Company have been prepared since its date of incorporation as it was incorporated in the jurisdiction where there are no statutory audit requirements.

2. ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 April 2016 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs and interpretations which are not yet effective.

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKAS 40	Transfer of investment property ¹
Amendments to HKFRS 2	Clarifications and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Apply HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts" ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle ⁵
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC)-Int 23	Uncertainty over income tax treatments ³

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group's financial assets as at 31 March 2017 and anticipate that the application of HKFRS 9 in the future may result in early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs and is not likely to have other material impact on the results and financial position if the Group based on an analysis of the Group's existing business model.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standards (“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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Having considered those engineering service contracts with customers entered into by the Group during the Track Record Period, the directors of the Company anticipated that the application of HKFRS 15 will have no material impact on the Group’s future financial statements. The application of HKFRS 15 in the future may result in more disclosures in the future financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lease accounting, and is replaced a single model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group, as lessee, has non-cancellable operating lease commitment of HK\$782,000 as disclosed in note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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 result.

Amendments to HKAS 7 “Disclosure initiative”

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company anticipate that the application of other amendments to HKFRSs and interpretations will have no material impact on the Group's future financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

Investments in a subsidiary

Investments in a subsidiary is included in the Company's statement of financial position at cost (including deemed capital contribution) less any identified impairment losses.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from engineering service contracts is based on the stage of completion at the end of each reporting period. The Group's policy for recognition of revenue from engineering services is described in the accounting policy for engineering service contracts below.

Service income is recognised when the services are provided.

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

Engineering service contracts

Where the outcome of an engineering service contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of an engineering service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

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

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

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property 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 a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property 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 each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Financial instruments

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

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

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits, pledged bank deposits and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

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

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments*Classification as debt or equity*

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 a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities including trade payables, other payables and accrued charges and amount due to a director 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 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 for debt instruments.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term 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 that related services 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 benefits expected to be paid in exchange of the related service.

Liabilities recognised in respect of 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 the employees up to each of the reporting period.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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 the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 when 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities 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 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 estimates 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Engineering service contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each engineering service contract as the contract progresses. Budgeted engineering service costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of engineering service contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going engineering service contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes amount due to a director as disclosed in note 17, and equity of the Group, comprising issued share capital, other reserve and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or repayment of existing debts.

6. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group to external customers, less discount for the year, and is analysed as follows:

	Year ended 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Income from fire safety system installation services ("Fire safety system installation")	37,090	67,029	84,235
Income from fire safety system repair and maintenance services ("Repair and maintenance")	9,010	7,743	7,290
	<u>46,100</u>	<u>74,772</u>	<u>91,525</u>

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company who are also the chief operating decision makers ("CODMs") that are used to make strategic decisions. Information reported to the CODMs is based on the business lines operating by the Group. No operating segments identified by the CODMs have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reporting segments are (i) Fire safety system installation; and (ii) Repair and maintenance.

Segment revenue and results

Year ended 31 March 2015

	Fire safety system installation HK\$'000	Repair and maintenance HK\$'000	Consolidated HK\$'000
Revenue			
Segment revenue	<u>37,090</u>	<u>9,010</u>	<u>46,100</u>
Segment results	<u>12,960</u>	<u>4,291</u>	17,251
Unallocated operating costs			<u>(2,665)</u>
Profit before taxation			<u>14,586</u>

Year ended 31 March 2016

	Fire safety system installation <i>HK\$'000</i>	Repair and maintenance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
Segment revenue	<u>67,029</u>	<u>7,743</u>	<u>74,772</u>
Segment results	<u>22,950</u>	<u>2,355</u>	25,305
Bank interest income			1
Unallocated operating costs			<u>(3,446)</u>
Profit before taxation			<u>21,860</u>

Year ended 31 March 2017

	Fire safety system installation <i>HK\$'000</i>	Repair and maintenance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
Segment revenue	<u>84,235</u>	<u>7,290</u>	<u>91,525</u>
Segment results	<u>28,023</u>	<u>1,762</u>	29,785
Bank interest income			1
Unallocated operating costs			(5,750)
Listing expenses			(7,435)
Finance cost			<u>(19)</u>
Profit before taxation			<u>16,582</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of bank interest income, unallocated operating costs, listing expenses, finance cost and income tax expense.

Furthermore, as the assets and liabilities for operating segments are not provided to the Company's CODMs for the purposes of resources allocation and performance assessment, no segment assets and liabilities information is presented accordingly.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property and equipment amounting to HK\$319,000, HK\$266,000 and HK\$583,000 as at 31 March 2015, 2016 and 2017 respectively are all located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Customer A	9,380	9,463	10,686
Customer B	N/A*	7,736	11,476
Customer C	N/A*	N/A*	9,362

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**(a) Directors' and chief executive's emoluments**

Mr. Fok and Mr. Sung Sing Yan ("Mr. Sung") were appointed as executive directors of the Company on 3 September 2016. The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/director of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period as follows:

	Mr. Fok HK\$'000 (Note (i))	Mr. Sung HK\$'000	Total HK\$'000
Year ended 31 March 2015			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	231	386	617
Bonus (note (ii))	250	500	750
Retirement benefit scheme contributions	11	17	28
Total emoluments	492	903	1,395
Year ended 31 March 2016			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	350	372	722
Bonus (note (ii))	281	531	812
Retirement benefit scheme contributions	17	18	35
Total emoluments	648	921	1,569
Year ended 31 March 2017			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	857	612	1,469
Bonus (note (ii))	–	291	291
Retirement benefit scheme contributions	18	18	36
Total emoluments	875	921	1,796

Notes:

- (i) Mr. Fok acts as chief executive of the Group.
- (ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (iii) The directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group and the Company.

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. Each of the directors has not waived any remuneration during the Track Record Period.

(b) Employees' emoluments

The five highest paid individuals included Mr. Fok and Mr. Sung whose emoluments are included in the disclosures in (a) above for the years ended 31 March 2015, 2016 and 2017. The emoluments of the remaining three individuals for the years ended 31 March 2015, 2016 and 2017, respectively were as follows:

	Year ended 31 March		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries and other benefits	1,153	1,343	2,247
Bonus	126	149	273
Retirement benefit scheme contributions	48	52	49
	1,327	1,544	2,569

Their emoluments were within the following bands:

	Year ended 31 March		
	2015 Number of employees	2016 Number of employees	2017 Number of employees
Nil to HK\$1,000,000	3	3	2
HK\$1,000,001 to HK\$1,500,000	–	–	1

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. FINANCE COST

	Year ended 31 March		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank borrowing	–	–	19

9. PROFIT BEFORE TAXATION

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:			
Auditor's remuneration	35	20	22
Depreciation of property and equipment	141	146	161
Directors' remuneration (<i>note 8</i>)	1,395	1,569	1,796
Other staff costs			
Salaries and other benefits	4,098	5,151	8,599
Retirement benefits scheme contributions	200	234	300
Total staff costs	5,693	6,954	10,455
Allowance for bad and doubtful debts, net (included in other losses)	160	226	55
Minimum lease payments under operating leases in respect of land and buildings	407	512	725
	<u> </u>	<u> </u>	<u> </u>

10. INCOME TAX EXPENSE

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax:			
Current tax	2,395	3,652	4,012
	<u> </u>	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation as follows:

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	14,586	21,860	16,582
Tax at the domestic income tax rate	2,407	3,607	2,736
Utilisation of deductible temporary difference previously not recognised	(5)	–	–
Tax effect of expenses not deductible for tax purpose	1	57	1,292
Others	(8)	(12)	(16)
	<u> </u>	<u> </u>	<u> </u>
Income tax expense for the year	2,395	3,652	4,012
	<u> </u>	<u> </u>	<u> </u>

11. DIVIDEND

During the year ended 31 March 2015 and 2016, KY Contracting declared and paid dividends of HK\$2,690,000 (HK\$4.41 per share of KY Contracting) and HK\$24,461,000 (HK\$40.10 per share of KY Contracting) to Mr. Fok, respectively. No dividend was paid or proposed by the directors of respective group entities for the year ended 31 March 2017.

No dividend was paid or declared by the Company since its incorporation.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following date:

	Year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:			
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	<u>12,191</u>	<u>18,208</u>	<u>12,269</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of shares:			
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>450,000</u>	<u>450,000</u>	<u>443,959</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in Appendix IV to this prospectus has been effective on 1 April 2014.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

13. PROPERTY AND EQUIPMENT

	Leasehold Improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2014	85	432	306	823
Additions	–	139	–	139
At 31 March 2015	85	571	306	962
Additions	–	93	–	93
At 31 March 2016	85	664	306	1,055
Additions	330	148	–	478
At 31 March 2017	415	812	306	1,533
DEPRECIATION				
At 1 April 2014	85	294	123	502
Provided for the year	–	80	61	141
At 31 March 2015	85	374	184	643
Provided for the year	–	85	61	146
At 31 March 2016	85	459	245	789
Provided for the year	11	89	61	161
At 31 March 2017	96	548	306	950
CARRYING AMOUNTS				
At 31 March 2015	–	197	122	319
At 31 March 2016	–	205	61	266
At 31 March 2017	319	264	–	583

The above items of property and equipment are depreciated on a straight-line basis over the following terms or at the following rates per annum:

Leasehold improvements	Over lease terms or useful lives of 5 years, whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

14. TRADE RECEIVABLES

The Group grants credit terms of 0-30 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	3,430	5,483	3,948
31-60 days	765	2,209	4,568
61-90 days	839	803	693
91-180 days	564	903	1,686
181-365 days	641	429	712
Over 365 days	329	66	–
	<u>6,568</u>	<u>9,893</u>	<u>11,607</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 28%, 28% and 17% of trade receivables as at 31 March 2015, 2016 and 2017, respectively, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$4,749,000, HK\$7,091,000 and HK\$9,574,000 which are past due at 31 March 2015, 2016 and 2017, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 104 days, 65 days and 74 days as at 31 March 2015, 2016 and 2017, respectively.

Ageing analysis of trade receivables which are past due but not impaired

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Number of days overdue:			
1-30 days	2,376	4,809	6,484
31-60 days	839	803	693
61-150 days	564	903	1,686
151-365 days	970	495	711
	<u>4,749</u>	<u>7,091</u>	<u>9,574</u>

Movement in allowance for bad and doubtful debts

	As at 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Balance of beginning of the year	–	–	226
Impairment losses recognised	160	226	125
Amounts written off as uncollectible	(160)	–	–
Bad debt recovered	–	–	(70)
	<u>–</u>	<u>–</u>	<u>(70)</u>
Balance at end of the year	<u>–</u>	<u>226</u>	<u>281</u>

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of nil, HK\$226,000 and HK\$281,000 as at 31 March 2015, 2016 and 2017, respectively, which have been overdue for a long period of time. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The directors of the Company believe that no further impairment is required in excess of the allowance for bad and doubtful debts. The directors of the Company write off the bad and doubtful debts when the debtor is liquidated.

15. DEPOSITS AND PREPAYMENTS

	The Group			The Company
	As at 31 March			As at 31 March
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Rental deposits	83	129	179	–
Other deposits and receivables	7	7	160	–
Prepayments	–	–	16	–
Deferred and prepaid listing costs	–	–	2,315	2,315
	<u>–</u>	<u>–</u>	<u>2,315</u>	<u>2,315</u>
Total	<u>90</u>	<u>136</u>	<u>2,670</u>	<u>2,315</u>
Presented as non-current assets	78	129	179	–
Presented as current assets	<u>12</u>	<u>7</u>	<u>2,491</u>	<u>2,315</u>
Total	<u>90</u>	<u>136</u>	<u>2,670</u>	<u>2,315</u>

16. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Contracts in progress at the end of the reporting period:			
Contract costs incurred plus recognised profits less recognised loss	55,960	81,899	119,743
Less: Progress billings	<u>(48,140)</u>	<u>(73,525)</u>	<u>(108,992)</u>
Total	<u>7,820</u>	<u>8,374</u>	<u>10,751</u>
Analysed as:			
Amounts due from customers for contract work	7,894	10,271	12,585
Amounts due to customers for contract work	<u>(74)</u>	<u>(1,897)</u>	<u>(1,834)</u>
	<u>7,820</u>	<u>8,374</u>	<u>10,751</u>

Unbilled retention receivables of HK\$1,878,000, HK\$3,348,000 and HK\$4,429,000 are included in the above contracts in progress as at 31 March 2015, 2016 and 2017, respectively. Retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.

The unbilled retention receivables are to be settled, based on the expiring of the defect liability period, at the end of each reporting period as follows.

	As at 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
On demand or within one year	1,615	1,916	3,544
After one year	<u>263</u>	<u>1,432</u>	<u>885</u>
	<u>1,878</u>	<u>3,348</u>	<u>4,429</u>

17. AMOUNT DUE FROM/TO A DIRECTOR AND A SUBSIDIARY

The Group*Amount due from a director*

Details of amount due from a director, which is non-trade nature, unsecured, interest-free and repayable on demand, are as follows:

	As at 31 March			Maximum amount outstanding during the year ended 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Mr. Fok	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>-</u>

Amount due to a director

Details of amount due to a director, which is non-trade nature, unsecured, interest-free and repayable on demand, are as follows:

	As at 31 March		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Mr. Fok	1,000	2,690	–

The Company*Amount due to a subsidiary*

The amount is unsecured, interest-free and repayable on demand.

18. PLEDGED BANK DEPOSITS/BANK BALANCES

As at 31 March 2015, 2016 and 2017, pledged bank deposits represent deposits pledged to banks to secure the bank facilities (including performance guarantee) granted to the Group, and carried with prevailing market interest rate ranging from 0.01% to 1.15% per annum.

Bank balances comprise short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 1.15% per annum.

19. TRADE PAYABLES

The credit period on purchases and subcontracting of contract work services is 0-30 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 March		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0-30 days	2,063	2,599	6,106
31-60 days	313	1,082	975
Over 60 days	270	190	687
	<u>2,646</u>	<u>3,871</u>	<u>7,768</u>

20. OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 March		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Accrued charges	85	588	540
Receipt in advance	487	1,517	974
	<u>572</u>	<u>2,105</u>	<u>1,514</u>

21. ISSUED SHARE CAPITAL

The issued share capital as at 1 April 2014 and 31 March 2015 represented the combined share capital of KY Contracting and KY Engineering.

The issued share capital as at 31 March 2016 represented the share capital of Golden Second.

The issued share capital as at 31 March 2017 represented the share capital of the Company.

The Company

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 7 July 2016 (date of incorporation) and 31 March 2017	38,000,000	380
Issued and fully paid:		
At 7 July 2016 (date of incorporation)	1	–
Issue of shares on Reorganisation	99	–
At 31 March 2017	100	–

The Company was incorporated in the Cayman Islands on 7 July 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 30 September 2016, through the Reorganisation (set out in note 1) 99 shares were allotted, issued, credited as fully paid to Foxfire and Team Vantage.

22. OPERATING LEASE COMMITMENTS**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	267	573	559
In the second to fifth year inclusive	221	463	223
	<u>488</u>	<u>1,036</u>	<u>782</u>

The above operating lease payments represent rental payable by the Group for office premises and certain equipment for the Track Record Period. Leases and rentals are negotiated and fixed for a term of two to five years. Mr. Fok provided personal guarantee to a landlord for lease of office premises by the Group.

23. RELATED PARTY TRANSACTIONS

Details of the balance with a director at the end of each reporting period are disclosed in the consolidated statements of financial position, consolidated statements of cash flows and note 17 to the Historical Financial Information.

During the Track Record Period, Mr. Fok provided personal guarantee to a landlord for lease of office premises by the Group and personal guarantee to a bank for banking facilities granted to the Group. Details are disclosed in notes 22 and 26 respectively.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 March 2015, 2016 and 2017 were as follows:

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	1,517	1,801	4,196
Bonus	855	921	684
Post-employment benefits	63	75	103
	<u>2,435</u>	<u>2,797</u>	<u>4,983</u>

24. FINANCIAL INSTRUMENTS**Categories of financial instruments**

	The Group			The Company
	As at 31 March			As at 31 March
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>18,615</u>	<u>16,142</u>	<u>23,924</u>	<u>–</u>
Financial liabilities				
Amortised cost	<u>3,731</u>	<u>7,149</u>	<u>8,308</u>	<u>9,751</u>

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, certain deposits, pledged bank deposits and bank balances and cash, trade payables, other payables and accrued charges and amount due to a director. The Company's financial instrument includes amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Currency risk

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. Accordingly, the management considers that the Group's exposure to foreign currency risk is minimal.

Interest rate risk

The Group's cash flow interest rate risk primarily relates to the pledged bank deposits and bank balances (note 18) as at 31 March 2015, 2016 and 2017.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on the interest income on pledged bank deposits and bank balances, hence sensitivity analysis is not presented.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, pledged bank deposits and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of the reporting period.

Management adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. The largest customer amounting to HK\$3,663,000, HK\$1,943,000 and HK\$5,199,000, respectively, comprised approximately 56%, 20% and 45% of the Group's trade receivables as at 31 March 2015, 2016 and 2017. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered not material as such amounts are placed in banks with good reputations.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The Group

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2015					
Non-derivative financial liabilities					
Trade payables	–	–	2,646	2,646	2,646
Other payables and accrued charges	–	–	85	85	85
Amount due to a director	–	1,000	–	1,000	1,000
		<u>1,000</u>	<u>2,731</u>	<u>3,731</u>	<u>3,731</u>

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2016					
Non-derivative financial liabilities					
Trade payables	–	–	3,871	3,871	3,871
Other payables and accrued charges	–	–	588	588	588
Amount due to a director	–	2,690	–	2,690	2,690
		<u>2,690</u>	<u>4,459</u>	<u>7,149</u>	<u>7,149</u>

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2017					
Non-derivative financial liabilities					
Trade payables	–	–	7,768	7,768	7,768
Other payables and accrued charges	–	–	540	540	540
		<u>–</u>	<u>8,308</u>	<u>8,308</u>	<u>8,308</u>

The Company

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2017					
Non-derivative financial liability					
Amount due to a subsidiary	–	9,751	–	9,751	9,751
		<u>9,751</u>	<u>–</u>	<u>9,751</u>	<u>9,751</u>

Fair value measurement of financial instruments

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring business

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 9.

26. PERFORMANCE GUARANTEE

As at 31 March 2015, 2016 and 2017, performance guarantee of approximately HK\$62,000, HK\$73,000 and HK\$881,000 respectively were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantee have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantee will be released upon completion of the contract works. The performance guarantees were guaranteed by Mr. Fok.

At the end of each reporting period, the directors of the Company do not consider it is probable that a claim will be made against the Group.

27. RESERVES OF THE COMPANY

	Other reserve	Accumulated loss	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On 7 July 2016 (date of incorporation)	–	–	–
Loss and comprehensive expense for the period	–	(7,436)	(7,436)
Issue of shares on Reorganisation	12,977	–	12,977
	<u>12,977</u>	<u>–</u>	<u>12,977</u>
At 31 March 2017	<u>12,977</u>	<u>(7,436)</u>	<u>5,541</u>

28. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at			date of this report	Principal activities
				2015	31 March 2016	2017		
KY Contracting	Hong Kong 27 December 2002	Hong Kong	HK\$610,000	100%	100%	100%	100%	Provision of fire safety services
KY Engineering	Hong Kong 16 December 2008	Hong Kong	HK\$10,000	100%	100%	100%	100%	Provision of fire safety services
Golden Second	BVI 15 March 2016	BVI/Hong Kong	USD50,000	N/A	100%	100%	100%	Investment holding

All the companies comprising the Group have adopted 31 March as their financial year end date.

No audited financial statements have been prepared for Golden Second since its date of incorporation where there is no statutory audit requirements.

We have acted as the statutory auditor of KY Contracting and KY Engineering for the year ended 31 March 2016 and 2017 and Lai Yiu Hong, Certified Public Accountants (Practising) has acted as the statutory auditor of KY Contracting and KY Engineering for the year ended 31 March 2015. The statutory financial statements of KY Contracting and KY Engineering for the year ended 31 March 2015, 2016 and 2017 are prepared in accordance with HKFRSs issued by HKICPA.

29. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group are detailed as below.

On 22 September 2017, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Written resolutions of the Shareholders" in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company was increased to HK\$100,000,000 by the creation of 9,962,000,000 new shares of HK\$0.01 each;
- (ii) conditional upon the share premium account of the Company being credited as a result of the allotment and issue of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$4,499,000 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 449,999,900 shares of the Company for the allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 22 September 2017;
- (iii) conditionally adopted a share option scheme. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 March 2017.

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 31 March 2017 issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants (the "Accountants' Report"), as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

(A) STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as if the Share Offer had taken place on 31 March 2017.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 March 2017 or any future date following the Share Offer.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2017 as shown 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 the Group attributable to the owners of the Company as at 31 March 2017 <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 the Group attributable to the owners of the Company as at 31 March 2017 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 per Share <i>HK\$</i> <i>(Note 3)</i>
Based on Offer Price of HK\$0.33 per Share	25,593	36,297	61,890	0.10
Based on Offer Price of HK\$0.47 per Share	25,593	56,562	82,155	0.14

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 150,000,000 Offer Shares at Offer Price of lower limit and upper limit of HK\$0.33 and HK\$0.47 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred or to be incurred by the Group (excluding listing expenses which have been charged to profit or loss up to 31 March 2017). The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share is arrived at after the adjustments referred to in note (2) above and on the basis that 600,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 March 2017 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2017.

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group’s unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****(B) INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF LUMINA GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lumina Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 29 September 2017 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the shares of the Company (the “**Share Offer**”) on the Group’s financial position as at 31 March 2017 as if the Share Offer had taken place at 31 March 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s historical financial information for the three years ended 31 March 2017, on which an accountant’s report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements 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.

Our 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” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the 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 of the Group 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 purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 September 2017

Set out below is a summary of certain provisions of the Memorandum of Association and the Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 September 2017 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

2.1 Shares

2.1.1 *Classes of shares*

The share capital of the Company consists of ordinary shares.

2.1.2 *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.1.3 Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

2.1.4 Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.1.5 Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

2.1.6 Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

2.1.7 Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

2.2.1 Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

2.2.2 Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.4 Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

2.2.5 Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

2.2.6 Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

2.2.7 Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

2.2.8 Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:
 - (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
 - (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.2.9 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.4 Meetings of member

2.4.1 Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

2.4.2 Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.4.3 Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

2.4.4 Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

2.4.5 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

2.4.6 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.5 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.6 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- 2.6.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- 2.6.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- 2.6.3 the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.7 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

2.9 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:

2.9.1 if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.10 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 7 July 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

3.2.1 paying distributions or dividends to members;

3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;

3.2.3 any manner provided in section 37 of the Cayman Companies Law;

3.2.4 writing-off the preliminary expenses of the company; and

3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- 3.10.1* no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- 3.10.2* no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (a) on or in respect of the shares, debentures or other obligations of the Company; or
 - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 9 August 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.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

3.15 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. 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 of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 7 July 2016. Our Company has established a place of business in Hong Kong at 1/F., R&T Centre, No. 81-83 Larch Street, Tai Kok Tsui, Hong Kong, and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 August 2016. In connection with such registration, Mr. Fok has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands, Companies Law and its constitution, which comprises the Memorandum of Association and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands on 7 July 2016 as an exempted company with limited liability under the Companies Law. At the time of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each, of which one Share was allotted and issued as fully paid to a subscriber, which was transferred to Mr. Fok on the same date.
- (b) On 30 September 2016, pursuant to the Reorganisation Agreement, our Company acquired all the issued shares of Golden Second from Mr. Fok and Team Vantage. In consideration thereof, our Company allotted and issued 94 Shares, credited as fully paid, to Foxfire (at the direction of Mr. Fok) and 5 Shares, credited as fully paid, to Team Vantage.
- (c) On 30 September 2016, Mr. Fok transferred the one Share held by him to Foxfire at par.
- (d) Pursuant to the written resolutions of the Shareholders passed on 22 September 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each by the creation of a further 9,962,000,000 Shares.

- (e) Immediately following the completion of the Share Offer and the Capitalisation Issue, without 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, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 600,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 9,400,000,000 Shares will remain unissued. Other than the Shares issuable pursuant to the exercise of the Offer Size Adjustment Option, any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in “A. Further information about our Company and our subsidiaries — 3. Written resolutions of the Shareholders” in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of the Shareholders

Pursuant to the written resolutions passed by all Shareholders on 22 September 2017, inter alia:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each, by the creation of an additional 9,962,000,000 Shares of par value HK\$0.01 each, which shall, when issued and paid, rank *pari passu* in all respects with the Shares in issue at the date of passing those resolutions (except entitlement to the Capitalisation Issue);
- (b) conditional on the conditions as set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus:
- (i) the Share Offer was approved and our Directors were authorised to (aa) allot and issue the Offer Shares to rank *pari passu* with the then existing Shares in all respects; (bb) implement the Share Offer and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
- (ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of up to HK\$4,499,999 standing to the credit of the share premium account of our Company and to apply such amount in paying up in full a total of up to 449,999,900 Shares for allotment and issue, credited as fully paid at par and rank *pari passu* in all respects with each other and the existing issued Shares (except entitlement to the Capitalisation Issue), to the holders of Shares on the register of members or the principal share register of our Company at the close of business on 22 September 2017, being Foxfire and Team Vantage, and our Directors were authorised to give effect to such capitalisation and distribution;

- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, 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 options that may be granted under the Share Option Scheme and to take all such steps as may be necessary desirable or expedient to implement the Share Option Scheme;
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, Shares with an aggregate number not exceeding (1) 20% of the aggregate number of issued shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme); and (2) the aggregate number of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors 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, such number of Shares as will represent up to 10% of the aggregate number of issued shares of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate number of shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of the aggregate number of issued shares of our Company repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares of our Company immediately following the completion of the Share Offer and the Capitalisation Issue excluding any Shares which may be issued upon exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme; and
- (vii) our Company approved and conditionally adopted the Memorandum of Association and the Articles of Association, with effect on the Listing Date.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that no Share has been allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme) are set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed “History, Reorganisation and Corporate Structure — Establishment and development of the subsidiaries of our Company”, there was no change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders on 22 September 2017, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase the Shares as described above in the paragraph headed “3. Written resolutions of the Shareholders” in this Appendix.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Articles of Association, any applicable laws of the Cayman Islands and the GEM Listing Rules. A listed company is prohibited from repurchasing its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of either of both of the profits of our Company or the share premium account of our Company, before or at the time the shares are repurchased, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of shares in issue of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the GEM.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares if not held by the company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on GEM other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following trading day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Core connected persons

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately after Listing, could accordingly result in up to 60,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

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, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.



B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the Reorganisation Agreement;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-Competition; and
- (d) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group**(a) Trademarks**

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark	Place of registration	Registration number	Class	Date of registration	Expiry date	Registered owner
A 	Hong Kong	304033791	37, 42	26 January 2017	25 January 2027	Company
B 						

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registrant	Date of registration	Expiry date
kinying.com.hk	KY Contracting	7 April 2010	7 April 2018
lumina.com.hk	KY Contracting	1 August 2016	1 August 2018

Information contained in the above website does not form part of this prospectus.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**1. Directors***(a) Disclosure of interests of Directors*

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

(i) Long position in the Shares

Name of Director(s)	Capacity	Number and class of securities	Percentage of shareholding
Mr. Fok (<i>Note</i>)	Interest in a controlled corporation	427,500,000 ordinary Shares	71.3%

Note: These Shares are registered in the name of Foxfire, a company which is wholly owned by Mr. Fok. Under the SFO, Mr. Fok is deemed to be interested in all the Shares registered in the name of Foxfire.

(ii) Long position in the ordinary shares of associated corporation

Name of Director(s)	Name of associated corporation	Capacity/Nature	No. of share(s) held	Percentage of interest
Mr. Fok	Foxfire	Beneficial owner	1	100%

(b) Particulars of service contracts

Each of Mr. Fok and Mr. Sung Sing Yan, our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company.

In addition, each of our executive Directors may be entitled to, if so recommended by the remuneration committee of our Company and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. The current basic annual salary of our executive Directors are as follows:

Name	Amount
Mr. Fok	HK\$732,000
Mr. Sung Sing Yan	HK\$732,000

Each of Mr. Hung Kin Sang, Mr. Lee Yin Sing and Mr. Wan Chun Kwan, being our independent non-executive Directors, has entered into a letter of appointment with our Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, the independent non-executive Directors are entitled to an annual director's fee as set out below:

Name	Amount
Mr. Hung Kin Sang	HK\$120,000
Mr. Lee Yin Sing	HK\$120,000
Mr. Wan Chun Kwan	HK\$120,000

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately HK\$1,395,000, HK\$1,569,000 and HK\$1,796,000 was paid to our Directors as remuneration and benefits in kind in their capacity as Directors by our Group for the years ended 31 March 2015, 2016 and 2017, respectively.

An aggregate sum of approximately HK\$2.1 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 March 2018 under the arrangements in force at the date of this prospectus excluding management bonus.

2. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the following persons or entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Long positions in Shares, underlying Shares and debentures

Name	Capacity	Number of class of securities	Percentage of shareholding
Foxfire	Beneficial owner	427,500,000 ordinary Shares	71.3%

3. Related party transactions

Our Group entered into the related party transactions during the Track Record Period as mentioned in note 23 of the Accountants' Report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in "E. Other information — 7. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) none of the experts named in "E. Other information — 7. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the Shareholders on 22 September 2017.

For the purpose of this section, unless the content otherwise requires:

“Allotment Date”	means the date on which Shares are allotted and issued to a participant pursuant to the exercise of rights attaching to an option granted and exercised under the Share Option Scheme;
“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means, among others, any full-time or part-time employee of our Company or any member of our Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants of our Company or any of our subsidiaries;
“Exercise Price”	means the exercise price for any Share under the Share Option Scheme determined by the Board;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant which the Board may in its absolute discretion determine, save that such period shall not be more than ten years;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;

“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares takes place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 business days from the date on which the Option is granted.

(c) Grant of Option

Any grant of Options must not be made after an inside information has come to our Company’s knowledge until we have announced the information in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company’s results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a result announcement.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders’ meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

(d) Price of Shares

The Exercise Price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest 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 Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the Exercise Price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) unless approved by the Shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 600,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 60,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

- (ii) Subject to the approval of Shareholders in general meeting, our Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information from time to time required by the GEM Listing Rules.
- (iii) Subject to the terms of the Share Option Scheme and the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such relevant information from time to time required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the 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 Other Schemes in aggregate exceeds 30% of the Shares in issue from time to time.
- (v) The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of Options.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable option period, provided that, among others, the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

Subject to the terms of the Share Option Scheme, if a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death or such longer period as the Board may determine, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the Exercise Price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate Exercise Price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser appointed by our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(j) *Rights on take-over*

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) has been made to all our Shareholders (other than the offeror and/or any persons controlled by the offeror and/or any person acting in concert with the offeror) to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) *Rights on a compromise or arrangement*

- (i) In the event of a notice given by our Company to our Shareholders to convene a Shareholders’ meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company’s Share registers) prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company’s Share registers) immediately prior to the date of the proposed Shareholders’ meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.

- (ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company’s Share registers) prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company’s share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(l) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) subject to paragraphs (f), (h), (j), (k) and (p) and the terms of the Share Option Scheme, the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by our Board:
 - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
 - (2) the Participant (being a corporation) has ceased or suspended payment of its debts or otherwise become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with its creditors generally; or
 - (3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
 - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or

- (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (vii) the date on which a situation as contemplated under paragraph (g) arises;
- (viii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or
- (ix) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed in accordance with the terms of the Share Option Scheme.

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to the provisions of our Memorandum and Articles of Association in force as at the Allotment Date and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the Allotment Date and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the Allotment Date. Any Share allotted upon the exercise of the Option shall not carry voting rights until the name of the Participant has been duly entered into the register of members of the Company as the holder thereof.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the Participant concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same Participant, the issue of such new Options may only be made with available unissued Shares in the authorised share capital of our Company and available ungranted Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) shall not be altered to the advantage of the Participants or prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the Participants as would be required by our Shareholders under our Memorandum and Articles of Association for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature shall first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting or the Board may, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event, no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of our Company or any of their respective associates, the proposed grant must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Participant).

If a grant of Options to a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders on a poll in a general meeting. The Participant, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to a Participant who is a substantial shareholder of our Company, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the Exercise Price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the Exercise Price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed Participant) to independent Shareholders, as to voting; and
- (iii) all the information as required by the GEM Listing Rules from time to time.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

(r) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by our Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued and allotted pursuant to the exercise of Options.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(s) Present status of the Share Option Scheme

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION**1. Tax and other indemnities**

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of our Group — 1. Summary of material contracts — (b) the Deed of Indemnity” in this Appendix) with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any taxation (which includes estate duty) or taxation claim in whatever part of the world which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or up to the date on which the conditions stated in the section headed “Structure and Conditions of the Share Offer — The structure of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled (the “**Effective Date**”) or arising from the reorganisation of our Group described in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company, save to the extent that:
 - (i) provision or reserve has been made for such taxation in the audited accounts of our Group for the three years ended 31 March 2017 (the “**Accounts**”) as set out in Appendix I to this prospectus and to the extent that such taxation is incurred or accrued since 1 April 2017 which arises in the ordinary course of business of our Group as described in the section headed “Business” in this prospectus;
 - (ii) such taxation or taxation claim falls on any member of our Group in respect of its accounting period commencing on or after 1 April 2017 unless such taxation or liability would not have arisen but for some act or omission of, or transactions voluntarily effected by, the Indemnifiers, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date;
 - (iii) such taxation claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by the relevant member of our Group after the date of the Deed of Indemnity;
 - (iv) such taxation claim or liability for such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong or the Cayman Islands, or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

- (v) any provisions or reserve made for taxation in the Accounts and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and

- (b) any damages, liabilities, claims, losses including loss of profits or benefits incurred or suffered by any member of our Group directly or indirectly arising from or in connection with any possible or alleged violation or non-compliance with the applicable laws, rules or regulations of Hong Kong, the Cayman Islands, or of any part of the world, on all matters on or before the Effective Date, including but not limited to the incidents referred to in the section headed "Business — Non-compliance" of this prospectus; or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against our Group and/or any act, non-performance, omission or otherwise of our Group accrued or arising on or before the Listing Date, including but not limited to the incidents referred to in the section headed "Business — Litigation and claims" of this prospectus.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated

2. Litigation

Save as disclosed in the section headed "Business — Litigation and claims" in this prospectus, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on our Group's results of operations or financial condition.

3. Sole Sponsor

Our Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed CLC International Limited as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$43,875 and are payable by our Company.

6. Promoter

Our Company has no promoter.

7. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
CLC International Limited	A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
TC & Co.	Legal advisers to our Company as to Hong Kong law
Appleby	Legal advisers to our Company as to Cayman Islands law
Frost & Sullivan International Limited	Industry consultant
Ms. Ng Wing Shan Queenie	Barrister-at-law in Hong Kong
Cheng & Cheng Taxation Services Limited	Tax adviser to our Company
RSM Consulting (Hong Kong) Limited	Internal control consultant

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

9. Sole Sponsor's fees

Our Sole Sponsor will be paid by our Company a total fee of HK\$5.5 million to act as sponsor to our Company in connection with the Listing.

10. 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.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, with the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.
- (b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in the section headed “Summary — No material adverse change” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up), and there had been no event since 31 March 2017 which would materially affect the information as shown in the accountants’ report set out in Appendix I to this prospectus.
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (f) None of CLC International Limited, Deloitte Touche Tohmatsu, TC & Co., Ms. Ng Wing Shan Queenie, Appleby, Frost & Sullivan International Limited, Cheng & Cheng Taxation Services Limited and RSM Consulting (Hong Kong) Limited:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

12. Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. 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

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

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 Placing 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.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION
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DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the section headed “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the section headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201-2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the accountants’ report on financial information of our Group for the years ended 31 March 2015, 2016 and 2017 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the auditor’s report on the consolidated financial statements of our Group underlying the financial information of our Group incorporated in the accountants’ report;
4. the report received from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
5. the legal opinion prepared by TC & Co., the legal advisers to our Company as to Hong Kong law, in respect of certain aspects of our Group;
6. the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
7. the Companies Law;
8. copies of material contracts referred to in the section headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
9. the written consents referred to the section headed “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus;
10. the Share Option Scheme;
11. the Frost & Sullivan Report;
12. the counsel’s opinion issued by Ms. Ng Wing Shan Queenie, the Legal Counsel; and
13. the tax opinion from Cheng & Cheng Taxation Services Limited with respect to the amount of tax undercharged and the potential penalty that may be imposed on our Group by the IRD.



LUMINA GROUP LIMITED
螢嵐集團有限公司